Have You Ever Seen A Retired Tiger In The Jungle?

Eradicating Pensioner Poverty

A MANIFESTO FOR DEMOCRATIC AND RESPONSIBLE CAPITALISM

Moshe Gerstenhaber

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How the affluent nations of the world could eradicate pensioner poverty within their national borders and increase economic prosperity for all without incurring significant monetary or fiscal pain

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Limited Edition

Have You Ever Seen A Retired Tiger In The Jungle?

Originally published by Retired Tigers Publications, Switzerland
www.retired-tigers.com

ISBN 978-2-8399-0506-0

Layout

Design Directions – www.designdirections.co.uk
Body copy set in AntiqueOlive Roman 8.8pt, Leading 12pt
Other fonts – AntiqueOlive Italic, AntiqueOlive Bold, AntiqueOlive Bold Italic, Verdana

Cover Page Drawing

David Gerstein – www.davidgerstein.com

Printed and bound in Great Britain by Ruscombe Press.

Take your time Daddy

Some say time stands
still. Does it ever?
Time is a vast
utterly silent
torrent
sweeping everything and everyone
who stands in its way.
We all stand in its
way

“Take your time daddy,
take your time” you said
so long ago in the
park

From the mouths
of babes
The wisdom of
innocence
startles
too busy to
notice time
ignorant of
its shades
and shadows

“Take your time daddy
take your time,” you said
tiny hands clasped behind your
back, so long ago in the
park
are those tiny wrinkles my
child?
Take your time
my love, take your time

MG

(Dedicated to Daphna with much love)

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If you think pensions are dull, imagine how boring poverty in old age will be."

Editorial Team Daily Telegraph 13th October 2004

> “Eradicating poverty is the dream of the socialist and the ambition of the capitalist.”
>
> Moshe Gerstenhaber

PREFACE

Have You Ever Seen A Retired Tiger In The Jungle

The recent meltdown of the global financial markets and its potential impact on the global economy and the retirement plans of tens, even hundreds of millions of people, has highlighted instabilities and flaws of our current economic system -instabilities whose impact on retirees could be very tragic.

While we are all painfully aware of the impending retirement catastrophe, a world in which the burden of supporting retirees is going to bankrupt society; we have a tendency of burying our head in the sand hoping that somehow future generations will deal with it.

In this remarkable book we see a comprehensive battle plan. A ten step program that begins to address and resolve the network of interlinked challenges that society needs to confront.

We see here a systematic coherent strategy that will help to organize retirement funds in economic units, the Super Trusts, which would help to stabilize free market economies as well as guarantee a productive retirement to all. The Super Trusts will not invest in the stock market but will aim to acquire quality companies and manage them for long term growth (substantially following the Warren Buffett model).

Besides providing a plan of attack for ensuring material support to retirees, one of the most remarkable programs developed here is a lifelong developmental mentoring system under the name of MAXILIFE; it is designed to provide each person with competent career as well as post retirement guidance. This program (a networked society) will enable each participant to maintain an ongoing log of her or his experiences and wishes (professional, educational, hobbies etc) which when collated with the experience of others and with potential opportunities (prospective employers, or career changes) will be used to provide guidance and suggestions. This simple idea, in the age of social networks on the web, would impact the level of satisfaction in the workplace; by enabling people with similar profiles to learn from each other's experiences – providing and receiving guidance naturally. In fact this kind of symbiotic networking system could profoundly change society.

As is clear from these comments the book provides a detailed and thoughtful roadmap to address the retirement challenges of modern society. Dr Gerstenhaber makes the point that only long term planning and a deep commitment, could succeed.

An additional very important benefit the book is projecting, due to the relentless quality investment activity of the Super Trusts, is a significant reduction in the frequency and intensity of economic/business cycles. A more 'level playing field' will be created with greater enterprise and more opportunity for each individual to achieve meaningful lifelong participation in employment and the wealth creation process.

I would like to conclude by quoting from a Times Literary Supplement review (19th & 26th December 2008 issue) by Robert Skidelsky of six recently published books addressing the dramatically changed economic environment of today. Amongst the books reviewed is one by Paul Krugman and another edited by Joseph Stiglitz and colleagues, all eminent economists. I believe the words written by Mr. Skidelsky provide a succinct summary of the vast rebuilding task which is facing our global society in the years ahead:

"The cumulative impression left by these six books is that we are on the cusp of one of those periodic changes in political economy caused by a crisis of the existing order. The end of the liberal/social democratic era lauded by Paul Krugman was brought about by the crisis of inflation and permissiveness. The succeeding neoconservative era supported by Razeen Sally is likely to end in a crisis of financial excess. Keynesianism and socialism, only recently proclaimed dead, are rising from their graves. The last Soviet leader, Mikhail Gorbachev, recently remarked that, what with all the bail-outs of banks and corporations going on, we now seem to have capitalism for the poor and Communism for the rich. This is a neat way of saying that we stand on the threshold of unchartered territory."

By contrast to these alarming statements Dr Gerstenhaber's book provides thoughtful responses and roadmaps to inject stability for our future.

While most economic data in the book relates to the UK it clearly applies to any advanced economy. It is my hope that responsible leadership could transcend ideological biases and steer us along the lines of this remarkable book.

Ronald R. Coifman
Phillips Professor of Mathematics
Yale University

An Urgent Need

- *"Britain's pension schemes face a multi-billion pounds black hole which could have **disastrous consequences for millions of pensioners**"*

- *"Firms have been underestimating how long people are living which has left them with **huge shortfalls in their pension pots**"*

- *"Another **nail in the coffin** for them because when companies do realise how big the real costs are, they will be **frightened away** from making these promises in the future"*

- *"**Schwarzenegger has backed off trying to pare public retirement packages**. Instead, in late 2006, he appointed the bipartisan Parsky commission to analyze just **how deep into financial** trouble governments have gotten themselves with their retirement promises. After a year's study, the panel reported in January that their **unfunded obligations totaled a staggering $118 billion** for retiree healthcare — the state alone is on the hook for $48 billion — and **$63.5 billion for pensions**."*

Is the Stock Exchange of the 21st Century still a valid vehicle for the growth of your pension?

What do you think?

- *"The week ended as the Dow's worst ever, with the index down an incredible 40.3 percent since its record close almost exactly one year earlier, on Oct. 9.2007.*

- *Investors suffered a paper loss of $2.4 trillion for the week, as measured by the Dow Jones Wilshire 5000 index, and for the past year the losses have totalled $8.4 trillion.*

- *It was no better overseas. Britain's FTSE index ended below the 4,000 level for the first time in five years; Germany's DAX fell 7 percent and France's CAC-40 finished down 7.7 percent.*

- *Japan's benchmark Nikkei 225 index fell 9.6 percent, also hitting a five-year low. For the week, the Nikkei lost nearly a quarter of its value. Russia's market never even opened."*

Source: www.jpost.com, jpost staff and AP, 12th October 2008

An Urgent Solution Required

There is an urgent need to employ a new Pensions Paradigm to encourage and empower each individual to reach out and seek life long learning opportunities and thereby enhance their own potential to achieve greater economic, health and social success."

Moshe Gerstenhaber

From 'The Welfare Society' to 'The Welfare of Society'"

Paul Jervis

The Conundrum?
The Trillion Dollar Question?

"The maths simply don't add up. Few people earn enough to fund two-thirds of a life (education and retirement) from the earnings made in the other third."

Nick Timmins, Financial Times, Public Policy Editor, FT.Com 27th November 2005

"In truth, there are few alternatives to simply saving more..."

Publication:
What Women Need: Pension Provisions For Today And Tomorrow,
Scottish Widows 2007, UK

Update November 2008

Is capitalism dead? Is it the end of economics? Is it the descent into global anarchy?

During September, October and November 2008 we have in effect witnessed the collapse of our global banking and stock exchange systems. Only the bold action of governments and central banks pumping trillions of dollars worth of liquidity into the global financial system seems to have halted the slide beyond the precipice. In a matter of days a huge proportion of the 'wealth' accumulated by the 'world' has evaporated. A question we may well wish to ask ourselves is whether this was 'real' wealth in the first place?

The speedy meltdown of the global financial markets has raised doubts about the capitalistic market forces paradigm. Socialists and Free Marketeers alike are scratching their heads trying to propose ideas how we could protect our economic health, as well as, safeguard our sanity.

There is no question in my mind that choosing the 'command economy' approach is not the answer and that government departments, government ministers and government bureaucracy are not fit to run/control modern economic activity. The new Manifesto for Democratic and Responsible Capitalism contained in this book may very well provide solid basis for a considered discussion about the economic and social future of the human race. I believe it does.

The world population numbers about 7 billion people at this time. It is said that had our forefathers not discovered agriculture and animal husbandry the world would probably be populated by only about half a million people. Even 100-150 years ago the world population was still very small compared to our numbers today. In order to feed the current world population we must employ an economic model that will not be so open to abuse and found to be so fragile. I am bold enough to say that the proposed Ten Pillars Programme promises to bring about – over time – dramatic and very positive changes on a global scale.

If you are still doubtful about the need for a new economic model I wonder whether after reading the following quotes you will continue to think that the traditional Stock Exchange is a valid vehicle for the growth of **your** pension!

- "The week ended as the Dow's worst ever, with the index down an incredible 40.3 percent since its record close almost exactly one year earlier, on Oct. 9.2007.

- "Investors suffered a paper loss of $2.4 trillion for the week, as measured by the Dow Jones Wilshire 5000 index, and for the past year the losses have totalled $8.4 trillion."

Source: www.jpost.com, jpost staff and AP, 12th October 2008

And reflecting on Wealth 'Distribution' in the USA:

- "Have you considered certain melancholy facts? One-third of the people at retirement age have no net financial savings. According to the Fed, half of all people aged 45 to 54 have total gross financial assets – not net, but gross – of less than $46,000. According to the Social Security Administration, Social Security and other benefits account for 91 percent of the total cash income in the year 2000 for elderly households in the bottom fifth of the income distribution.
  Now picture the scene, 77 million baby boomers, some significant portion of whom are in serious need of support. Am I to believe that if we suddenly say, "Sorry folks, there is a big cut in your benefits", there will be no political or social effects. And, the elderly will say, "Thanks…I needed that and I deserved that."

And about unfunded liabilities in the USA:

- "Let us start off with the unfunded, off the books, long-term liabilities – or if you prefer, hidden liabilities.
  Official sources, and many unofficial, put the dollar level of unfunded liabilities at between $45 trillion and $74 trillion, depending on the timeframe. That is more than our collective net worth!"

- "Were ERISA and the Sarbanes-Oxley bill to apply to the US government, it would add over one and a half trillion dollars to the annual budget."

Source: Peter Peterson, Co-Founder of Blackstone Private Equity Group

What is so Unique about this Book?

My book 'Have You Ever Seen A Retired Tiger In The Jungle' is unique in the sense that it proposes a new Economic and Social Manifesto. I have set out to write an economic programme for the eradication of pensioner poverty and ended up producing a new pensions' paradigm but also a new Manifesto For Democratic and Responsible Capitalism.

In view of the current global panic (justified as far as I am concerned) regarding the 'safety' or even 'survivability' of our existing economic models and many of our economic institutions; I was very pleased to observe that the economic concepts proposed by the Ten Pillars Programme, when implemented and allowed to run their course and mature over the very long term, could be expected to deliver a new and sustainable economic model. Although the best policy would be to allow you, dear reader, to make up your own mind by studying in detail the ideas and concepts contained in the book, I will permit myself to highlight aspects which I would wish to draw your attention to. As you journey through the book please keep in mind my claims regarding the various social areas and economic activity aspects which I believe will be totally transformed by the evolving new economic model. Please let me know what are your own conclusions. All considered and constructive criticism will be warmly received.

The New Ten Pillars Economy

The Three Core Elements

1. The Super Trusts – A most powerful new engine for on-going, sustained, longterm corporate investment growth and therefore also national economic growth

    - The Super Trusts could be said to be a new 'Marshall Plan' for the National and International economy. An investment plan which is on-going, never 'runs out of steam' and remains 'impervious' to short term economic and market fluctuations

2. The Special Levy – A 'new concept' for sustainable communal vision and the expression and implementation of a basic desire of human beings for the survival of the species

3. MAXILIFE – A revolutionary, free of cost internet tool (to be developed) designed to help each individual maximise their own life journey and in consequence also increase the economic and social productivity of the whole nation

What positive changes we could expect from a future Ten Pillars Economy?

- An economy which always has the energy and capacity to continue to grow and expand of its own internal volition i.e. without Government interference, simply through the continued investment and reinvestment by the Super Trusts of their own compounding assets

- An economy where well over 50% of the economic activity (especially the large scale activity) would eventually be owned directly by the Super Trusts and not owned via any Stock Exchange

- An economy where each individual born in the country will own a direct 'piece' of the wealth of the Nation through their ownership of a 'piece' of a specific Super Trust

- An economy where the 'Stock Exchange' no longer has the power to destroy the wealth of the Nation and the pension prospects of millions of pensioners and future pensioners

- An economy where the evolved Stock Exchange will be substantially devoted to the encouragement of creative entrepreneurial and technology based economic activity and therefore provide a good source of new business acquisitions for the Super Trusts

- An economy where the work force will be motivated and encouraged by the Super Trusts and each of their Investee Companies to engage in Work-Based-Learning and Life Long Learning leading to a much better equipped work force and more productive employment

- An economy which enjoys much higher rates of labour participation and labour employment including women and people of older age

- An economy much less likely to find itself 'hammered' by frequent and violent business cycles thereby avoiding the loss of resources and time devoted to rebuilding economic confidence

- An economy which is able to encourage and reward at one and the same time both relentless cautious investment growth and an environment of independent entrepreneurs creatively developing new technologies, new products and new services to meet the needs of a more affluent society

- A society which could claim for the first time in human history that every single individual will be able to claim a number of pension years and all its pensioners will receive a 'living wage' salary during all of their pension years

- An economy where the cost of providing a 'living wage' pension to every individual is met by the Super Trusts and not by the government of the day

- An economy which will successfully overcome the expected deterioration in the Generations Ratio (the number of workers paying the cost of one pensioner) and therefore able to avoid social strife and alienation developing between impoverished pensioners and impoverished workers trying to live with a rising tax burden

- An economy which has managed, without assuming unduly costly additional tax burden to eliminate the pension inequalities affecting women and the children of the poor

- An economy which has wisely and successfully harnessed the proven powers of 'Market Forces' but has also been successful in 'tempering' the excesses of capitalism as experienced by unsustainable periodic collapses of the banking system and the stock exchange networks of the world

Third Party Comments

I am not asking you to simply take my own word that it would be well worth your while to invest a day or two or three reading/studying the contents of 'Have You Ever Seen A Retired Tiger in the Jungle'.

The following are extracts from comments made by a number of 'satisfied' readers:

- "In this remarkable book we see a comprehensive battle plan. A ten step program that begins to address and resolve the network of interlinked challenges that society needs to confront"...

- "In fact this kind of symbiotic networking system could profoundly change society"...

  Prof. R. R. Coifman, Yale University

- “This is not another book written on this vital topic, it is a unique proposal that could change the world”... “The book provides a step-by-step plan on how our government and the individual should progress toward implementing the proposal”... “If adopted, it can and will eradicate pensioner poverty”... “Our utmost duty is to embrace this innovative approach and initiate sincere public debate”... “provide the necessary solutions by following the ‘yellow brick road’ that Dr. Gerstenhaber has designed for us”

  Prof. Sam Saguy, Hebrew University of Jerusalem

- “In my opinion this is highly original work which provides a clear and well argued way forward which is of potential national importance. The solution which you suggest is truly breathtaking in its scale, scope and potential beneficial impact”

  Prof. Jonathan Garnett,
  Director Institute for Work Based Learning – Middlesex University

- “I’m 30, I won’t retire for at least 35 years. ‘Next year I will start saving for retirement.’ I said that last year as well, but it will actually happen next year (unless I go on an extra skiing holiday instead)”...

  ...”Moshe’s vision for a different sustainable pension system for the 21st Century and beyond”... “encompasses changes in the economy, society and the way we conduct ourselves as individuals”... “taking responsibility for creating a new sustainable system for this new century”... “I urge you to explore this plan, to comment on it, to argue for and against it, to suggest changes and fine tuning... and mostly to promote the plan.”

  Roy Lederman
  Entrepreneur, Physicist, Engineer and prospective pensioner

- “If people come to the view that Moshe Gerstenhaber’s Manifesto is too ambitious or unrealistic, the onus is on them to provide a more workable alternative – and that will not be easy”

  Anonymous, writer/publisher

The Longest Journey always Starts with a Small Step

It is clear to me that some readers (and many non-readers too) will seek to dismiss the ideas and therefore the opportunity offered by the Ten Pillars Programme because of the time scale which the Capital build up (Accumulation) requires. My simple answer to the doubters is **‘we have no other choice’; economic reality today is stark indeed.**

A Gradual Transformation

Although it will take some 70 years time for a launched Ten Pillars Programme to fully mature its impact on the national economy will be felt much, much sooner. Some of the impact will be psychological and immediate because a significant part of the success of modern economic activity has to do with the positive perceptions of the business community and the individual consumer. A further element in the impact which the Ten

Pillars Programme will create will result from the constant business acquisition and investment activity supported by the Super Trusts. It is expected that the launch of the Ten Pillars Programme by a country would for ever change the economic prospects of each individual and the nation.

"In these things, a century is a 'short term'" (Joseph Alois Schumpeter, economist)

Time is relative – said Einstein. For a politician, and stock exchange trader, a day could at times seem like an eternity. Our perceptions of time change with age. For a child every minute counts whilst an adult is already prepared and able to allow time for reflection and be willing to accept the inevitability of the postponement of gratification. HRH Prince Charles, the Prince of Wales, for example, has to date served an apprenticeship which has lasted 60 long years. He may have to wait an additional 10-15 years. Time will tell. Altogether, Prince Charles may have to wait for his accession to the throne as long as it will take the Ten Pillars Programme to fully mature. An interesting perspective.

Although our present society seems to be dominated by very short term desires we actually live in a world which operates, in the macro sense, under very strict ancient natural laws; evolution. When it comes to evolution the time frame is mostly counted in thousands of years if not tens of thousands or even millions of years. Even the House of Winsor has been in the Monarchy business since the early 1700's.

'Time is of the essence'

70 years is about the life span of an individual at present; although many of us could expect to last to age 90 and beyond. During the 150,000 years of human existence (Homo Sapiens) we have experienced the lives of thousands of generations. Let's not allow the time frame of **one generation** to deflect us from undertaking a fairly simple step which has the potential to create a wonderful economic and social transformation. Seventy years is a 'speedy' transformation which could in fact equal in its magnitude any of the great economic and social transformations of yester years.

We need to muster our courage and take a bold step towards a much better and more secure financial future. The following quote is appropriate to the dangerous economic situation in which we find ourselves at the moment:

"If some policy has at least a reasonable chance of raising growth, governments and the people they serve will or should want to implement it right away, not wait to find out many years later whether it might work *(although interest groups in societies that might be hurt by growth-oriented policies, which inevitably create disruption, may be successful in resisting their adoption)"*

Source: Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity, William J. Baumol, Robert E. Litan, Carl J. Schramm, Yale University Press, 2007

"Human beings cannot survive unless they create provision for the future"

Source: Alan Greenspan, Federal Reserve Bank, USA

Anxiety and Progress

"Anxiety and progress often go hand in hand. We feel as though the world we have shaped is constantly surging beyond our capacity to understand it; that, in pursuing progress, we have created forces we cannot make sense of and which lie beyond our control.

This anxiety is not new: over the past 250 years, the RSA has striven both to be an agent of progress and to make sense of the world around us. However, the modern world presents particular anxieties. These are manifested as a generalised discomfort and as a reaction to specific political challenges such as climate change, mass migration or social cohesion.

These challenges are characterised by their complexity, scale and unpredictability and rising to them will require a combination of skills. We will need to understand them fully and clearly; we must have the imagination to find solutions to them and the skills – as well as the political and social will – to drive and implement change.

We should not be complacent. History shows us that societies unable to appreciate the challenges they face, or lacking the abilities or readiness to address them, can be destroyed. But we should not despair: if the challenges we face are of their time, so too are the potential responses to them."

Source: Jonathan Carr-West, RSA Journal, Summer 2008, p.14

What is a Pension?

Definition:

"A Pension is a certain level of regular income received by an individual starting at the defined retirement date and paid for as long as the individual lives (and could be paid to the surviving spouse thereafter) although s/he is providing neither service nor product in return for the payments – which depending on the terms of the pension could even increase in line with the rise of the cost of living."

MG

Dear Reader,

An Open Invitation to comment and contribute

My name is Moshe Gerstenhaber. I have written this book with you and our other fellow travellers in mind.

I do not intend to apologise for my passion to see pensioner poverty reduced or better still eradicated.

Eradicating Poverty is the dream of the socialist and the ambition of the capitalist.

Because I believe in personal responsibility and enterprise I also believe in thinking creatively and in constantly trying to evolve new ideas to improve the way society functions and to enhance the quality of life of the individuals who are society.

I do not apologise if you find my hopes and aspirations for our community naïve. I would rather be marked as naïve than be blasé or cynical about the sad condition of the poor members of the human race, especially in old age.

I do apologise most sincerely should you find glaring mistakes or inconsistencies of whatever nature in this modest paper – whether they are in the thinking or spelling errors. My hope is that the text and intent of the Manifesto will capture your imagination and help you too to think 'outside the box' specifically on pension issues.

Please let me know if you believe you have ideas which could strengthen the case I had tried to make for the Eradication of Pensioner Poverty within the borders of the affluent nations of the world. I am especially interested in input from individuals and organisations with mathematical modelling skills and computing power willing to calculate the impact which the ideas proposed are likely to have on national and global economies. For example: pensioner poverty, the stock exchange of the future, overall standard of living, investment, unemployment, inflation, the currently underdeveloped economies, etc.

Looking forward to hearing from you via **www.retired-tigers.com**

Many thanks.

The ideas and concepts are presented in the following structure:

Book One: Toothless Tigers

In Book One, The Ten Pillars Manifesto is presented in the most concise form I was able to produce. Book One contains therefore the essence of the programme which I believe has the power to substantially alter the pensions' quagmire western civilisation has created for itself.

Book Two: Fighting Tigers

In Book Two I have tried to explain in some detail the reasons behind some of the ideas proposed in Book One, as well as, to elaborate upon the impact which the implementation of the Ten Pillars Program is likely to have upon the pension prospects of the individual and the economy.

Book Three: Fat Tigers

In Book Three I have tried to peer into the future and speculate about the overall change and economic transformation which a successfully implemented Ten Pillars Programme could bring about. The main question in Book Three is the possible impact of the Ten Pillars Programme on the social wellbeing and the prosperity of nations.

The United Kingdom Connection

Considering that I and my family have resided in the United Kingdom (London) for many years (1976-2007) it was quite natural for me to have used UK economic and demographic data by way of illustration. Nevertheless, it is my opinion that the impact of the proposed Ten Pillars Programme will be equally relevant to each and every country where the people and their Government were concerned about eradicating pensioner poverty and eager to improve the overall long term prosperity prospects of the Nation.

Since July 2007 my wife and I have been granted residence in a beautiful Swiss alpine village.

MG

2008 Switzerland

PS. After the Second World War the Swiss have incorporated a national pension system composed of Three Pillars: "The first is the Compulsory State Pension, based on the pay -as-you-go principle, the second pillar is the supplementary occupational pension normally based on funding and the third is made up of individual savings (personal pensions and investments as well as life insurance products)"

Source: Working beyond 60

The Generations Ratio*

UK

"By 2050 "the ratio of 65 + year olds to 20-64 year olds will increase from 27% to 48%"

Source: The Pension Commission, The Final Report p.41

Comment:

From 3.7 pre-pension individuals at present (20-64 year old) to one pensioner the Generations Ratio in the UK is expected to deteriorate to 2.08 pre-pension individuals to one pensioner by 2050. This does not necessarily mean that in 2050 there will be 2.08 tax paying individuals for every pensioner to provide the required pension and general funding. If we take into account 'structural unemployment' and the 'permanently disabled' the UK Generations Ratio is likely to be less than two tax paying individuals to one pensioner.

* An alternative to the 'Generations Ratio' term is the 'Dependency Ratio' expression.

Dedication

This book is dedicated to Mr. Warren Buffett (the 'sage of Omaha') probably the most successful investor in human history. The dedication is not offered because the contents and message contained in this book necessarily reflect Mr. Buffett's own economic and social views. The book is dedicated to the man because he has proved single handedly that successful long term investment strategy is achievable when approached with skill, honesty, imagination, determination, dedication and patience.

The eventual success of the Ten Pillars Programme depends substantially on the successful implementation of a relentless programme of long term investment. The methods, teachings and modesty of the 'Sage of Omaha' must be our beacon in years to come.

Warren Buffett on pensions

"Whatever pension-cost surprises are in store for shareholders down the road, these jolts will be surpassed many times over by those experienced by taxpayers. Public pension promises are huge and, in many cases, funding is woefully inadequate.

Because the fuse on this time bomb is long, politicians flinch from inflicting tax pain, given that problems will only become apparent long after these officials have departed. Promises involving very early retirement – sometimes to those in their low 40s – and generous cost-of-living adjustments are easy for these officials to make. In a world where people are living longer and inflation is certain, those promises will be anything but easy to keep."

Source: Investor Letter 2007: To the shareholders of Berkshire Hathaway Inc.

My Thanks

Please allow me to say publicly how much I appreciate the moral and technical support provided by my wife Jenny over the 2-3 years it has taken me to put together this project. I would also wish to say a big 'thank you' to Pearl Byron for typing the manuscript. I am one of the few remaining dinosaurs who don't know how to type. Pearl and Jenny are probably the only two people (other than myself!) who can decipher my scrawls.

Many thanks are offered to Paul Jervis for improving my English grammar and for helping me with his considered comments to better understand how the diverse groups of readers are likely to respond to the ideas which the Ten Pillars Programme is offering.

I am very much obliged to Professor R. R. Coifman of Yale University for extracting himself from his extremely busy schedule so he could come to spend with me 36 hours totally dedicated to reading and discussing the ideas proposed by the book; his words of encouragement are very important to me.

Special thanks to Professor Sam Saguy of the Hebrew University Jerusalem for his searching questions and wise comments and to Roy Lederman for helping me in many ways especially to put together the Retired-Tigers website. Equally, I wish to mention with thanks Professor Jonathan Garnett of Middlesex University London with whom I spent many long hours discussing the benefits of Life Long Learning and to Shahaf Segal who was very supportive of the social transformation benefits which the Ten Pillars Programme is 'about' to deliver.

I owe a debt of gratitude and thanks to the internationally renowned artist David Gerstein for painting for the book a uniquely interesting and humorous cover.

Further thanks are extended warmly to Simon Wilson and his team for contributing their time and talent to improving the layout and flow of the cumbersome text which I have written.

A bunch of flowers and a big 'thank you' to John Hughes – a true gentleman of the old school.

Last but not least my warm thanks to Saul E. Green who was kind to produce for me the compounded growth tables which were used to calculate the growth of the investments over the long term.

Finally, I would like to mention with gratitude my parents (who paid for my years in education although it was not easy for them at the time), especially my mother Rachel who would have been delighted to know that her son has absorbed her deep concern for the wellbeing of our fellow travellers. Mother – this book is as much yours as it is mine.

Book One

Toothless Tigers

Our Society is in great difficulty

Protecting our Civilisation

In the long term a civilised society is judged by the way it responds to the needs of the sick and the old – and not simply by the count of the luxury cars which speed along its super highways.

The concept of providing a Universal Pension To All For Life is probably the most complex and most challenging single economic, social and political commitment that a society could ever undertake.

In today's environment when each individual pensioner expects a good health service and a living wage pension to be provided for some 20-25 years the challenge which society is facing is how to deliver upon the promise without imploding upon itself in the process.

Nature does not run comfortable retirement homes for aged tigers. Therefore, we, the citizens of the 21st Century, must find new ways to maintain the great technological, economic and social advancements which we have made during the past 10,000 years; the short number of years which separate us from the end of the last Ice Age and the transition years from the Stone Age to the Bronze Age of our young civilisation.

It's a mug's game!

UK: State Pension Reforms/2007

"It's a numbers game...
*According to our latest, recently revised projections, under our reforms **someone on low income who retires in 2050 with a full contribution record can expect to get £145** (per week) from the state pension in 2007/8 earnings terms. This is almost 20% more than a similar person retiring today expect"*

Source: Department for Work and Pensions, United Kingdom Pensions Forum – Building Concessions, Pensions Reform Blog, 11th May 2007

Higher Taxes?

*"By 2050 Turner estimates just maintaining pensioner's current standards of living will cost **another £57 billion** (p.a.)*
Does that inevitably mean higher taxes?"

Source: Observer, 27th November 2005
(Lord Turner – Chairman of the UK's Pension Commission 2004/5)

Toothless Tigers

Table of Contents

There is no equality without effort

"OECD Secretary-General Angel Gurria said, "Growing inequality is divisive. It polarises societies, it divides regions within countries, and it carves up the world between rich and poor. Greater income inequality stifles upward mobility between generations, making it harder for talented and hard-working people to get the rewards they deserve. Ignoring increasing inequality is not an option."

Source: Organisation for Economic Cooperation and Development (OECD) report 'Growing Unequal? Income Distribution and Poverty in OECD Countries', October 2008

Introduction

The Pension Crisis: The Core Challenges

After much study and reflection, I have come to the conclusion that it is possible to identify and summarise the core challenges facing society in its struggle to find a sustainable solution to the pension crisis. This crisis is currently threatening the actual survival of Western Civilisation as we know it in the early years of the 21st Century.

The following five elements are, in my opinion, the core challenges:

1. The Human Mind

It has taken billions of years of progressive evolution, and some one hundred and fifty thousand years of determined survival, for homo sapiens to reach the '21st Century'. Survival for humans must have always meant the ability of the mind to focus on the needs of the present. Although science and scientists regularly journey into the past, as well as, attempt to reach for the future, on the whole the systems which man has devised to date – including elected democracy – are designed to take care of the needs of the present and the following 5-10 years.

It is quite likely that the average individual finds the actual concept of sacrificing consumption opportunities in the present time in order to gain a benefit, **hopefully**, in the very distant future i.e. at the end of life's journey, a very difficult and a **counter-evolutionary** step to take. For example, in the UK it is said that 46% of the population are not saving at all despite the fact that the State Pension on its own does not provide a 'living wage'.

It is suggested that the idea and the complexities associated with the funding of a 'pension' has not had enough time to become part of what Prof. Eric Kandel refers to as our "cultural evolution". This is "a non-biological mode of adaptation" which "acts in parallel with biological evolution as the means of transmitting knowledge of the past and adaptive behavior across generations. All human accomplishments, from antiquity to modern times, are products of a shared memory accumulated over centuries, whether through written records or through carefully protected oral tradition".

2. The Inverted Pensions Time Gap Principle

Existing pension programmes, especially those provided by the private sector, are structured in a way which acknowledges the fact that only schemes which allow pension contributions (preferably made by both employer and employee) the opportunity to grow over time are affordable and likely to deliver a worthwhile value at the end of the journey.

Without substantial **capital growth over time** the amounts which either the employee and/or employer can allocate (contribute) to the pension fund will be insufficient to generate a 'living wage' for the pensioner. This becomes especially true if the pension is to be provided for any extended period of time. It is impossible for the average private employer to add to the cost of employing the average employee those amounts which on their own (ignoring potential growth) could provide a sustainable pension. The only sustainable formula for the accumulation of substantial pension assets is for pension contributions to be given the opportunity to be invested wisely and therefore to **compound** over the very long term.

The Inverted Pensions Time Gap Principle recognises the **natural conflict** which exists between the need for the pension assets to compound over the long term and the fact that it is only upon reaching 'middle age' that the 'average individual' can contemplate allocating a bit more of their disposable income to the accumulation of pension assets. Unfortunately, at such time, too few years remain for meaningful compounded growth to occur. (Unless, of course, the assets allocated are very large. This is not a realistic proposition for most people). There is therefore a veritable vicious circle.

The proposed Ten Pillars Programme for the Eradication of Pensioner Poverty has embraced the enormous power and therefore economic benefits of very long term compounded growth. In order to capitalise upon the Inverted Pensions Time Gap Principle the programme is based on a system which not only incorporates all concerned stakeholders but most significantly also starts to accumulate and grow pension assets from **birth**. Starting the accumulation of pension assets at birth allows funds to multiply some **30 times** (at 5% p.a. net compounded growth) to age 70 and to continue to add value until the death of the individual.

3. The relentless increase in the average life expectancy in the Developed Countries

Over the past 50 years or so, life expectancy at birth, and later life expectancy for the average individual overall, has risen significantly in all industrialised nations and elsewhere. For example: " In Switzerland at the beginning of the 1970's, life expectancy at birth was 70.1 years for males and 76.2 for females; 5.1% of males and 11.3% of females survived to **age 90**. In 1990 life expectancy at birth was 74.0 for males and 80.8 for females; 10.1% of males and 25.1% of females survived to age 90. In 2001, life expectancy at birth was 77.2 for males and 82.8 for females". (Source: Working Beyond 60). In total, within a period of only some 20 years the average life expectancy of a male at birth will have increased by 10% or 7 years and for a female by 8.7% or 6.6 years. But, possibly even more significant is the fact that by 1990 ten percent of all males and **twenty five percent** of all females will have survived to age 90. This relentless increase in the overall numbers of people who live into their late 80's and 90's means that an individual terminating paid employment at age 60 will need a sustainable source of income for a period extending 20 –30 or even more years.

It is very difficult to provide good mathematical arguments that under current conditions the average individual could hope to spend 30, 40 or even 50 years at work and then expect to receive a 'living wage' pension for 20-30 long years – irrespective of where the money is coming from i.e. the source of the pension (Government/private sector).

It is clear that the pressure on the public purse overall is such that Governments are already struggling to meet the increasing costs of health care, pensions, security, education, infrastructure, administration etc. etc. This is especially so for the high and increasing cost of the generous pensions promised to public sector employees.

The relentless increase in the average life expectancy overall but even more the huge increase in the numbers of pensioners living even beyond the ages of 80 and 90 years **forces** society to reflect upon the 'stale' idea that 'early retirement' and 'aimless long retirement years' are either affordable or the right solution for most middle aged people. It is evident that society has **no option** but to redefine the process of education and convert it from an 'exclusively' early life experience for most citizens into a Life Long Learning process for all people. Careers too need to be redefined. There is a need to create the systems and the structures which could guide the individual throughout life, but especially upon reaching, say, age 50 in order to capitalise upon the skills learned in yesteryears and the expertise and interests which the individual will have developed. The aim would be to help the individual tailor a 'third age' programme for work, charity work, leisure, sport and anything else which could combine some earning capacity with leisure and pleasure pursuits. This way both the individual and society will benefit.

4. The 'Diminishing' Work Force

Western society is facing the challenge of having to learn how to cope with, benefit from, offer support to, and be able to finance the 15-25% of its population whose retirement years extend to the ripe old age of 85-95. The other side of this equation – which is a great challenge on its own – is the fact that the numbers of people at work compared to the numbers of living pensioners – **the Generations Ratio** – including the number of people of working age who are absent from the work force, are reducing speedily.

The financial impact of the current system of pensions upon the well-being and therefore motivation of 'people at work' and the pensioners – due to the long years of pension liability and the 'diminishing' tax payers' base – could be devastating. The financial impact will fall upon the shoulders of Government and the individual tax payer, but will also damage the profitability and economic performance of the Private Sector.

Governments are likely to find it almost impossible to pay the generous pensions guaranteed to the vast armies of public sector workers (in the UK direct and indirect government employment accounts for close to 25% of the working population), let alone provide a 'living wage' state pension to the other 75%. In turn, the Private Sector – or at least those companies still under contract to pay Final Salary Pensions – will creak at the seams under this burden. It is likely that many companies will not only find it impossible to finance growth, but may also find themselves unable to compete successfully because funds needed for investment were diverted to meet pension obligations.

It is imperative that we reflect upon the strong likelihood that, under the current pension system, within as little as 10–20 years society may experience rising tensions between people at work: especially the young, and the growing armies of pensioners. The pensioners, those dependent upon government pension payments, will become embittered by the reducing purchasing power of their pensions. At the same time the working population, especially the young tax payer, will grow to resent vehemently the fact that they will be expected to shoulder (via their tax payments) all the costs of the State including the pensions paid to unrelated individuals for 30 years plus. The resentment of the young worker may reach fever pitch if and when the time comes when each worker will be expected to pay enough tax to keep one pensioner in 'relative' comfort (i.e. a 'generations ratio' of one-to-one).

Society needs to ask itself whether it believes this scenario can support a sustainable future.

5. A Pension System able to deliver the new 'pensions' paradigm is needed

In my personal opinion the only way for Western society to be able to address successfully the four core challenges detailed above is to develop a new pensions paradigm.

The pensions system of the future needs to be able to understand and learn how to deal with the innate difficulty human beings have with making important long term decisions especially long term financial sacrifices at a time in their life when they are mostly interested in survival and 'procreation', which is in fact what the evolutionary forces are 'expecting' them to do.

The new Pension Concept must take full advantage of our understanding of the Inverted Pensions Time Gap Principle. The new paradigm needs to identify ways making it possible to invest relatively modest amounts at birth, and the early years of the life of each individual, yet to achieve in the long term substantial compounded capital growth.

In addition, the new Pension Concept needs to be able to help the individual and society to redefine the career and life progress of each individual. Society needs to develop free internet tools which each individual himself/herself will be able to use, on a daily basis and from early age, in order to maximise their own life potential. Such tools will not only help the young individual make better career, job and leisure choices. They will provide the same benefit to every individual as they mature. These tools will allow each individual to become more effective in their own life journey, as well as, improve the overall productivity and wealth creating powers of society in total.

The Future is here:
The Ten Pillars Programme

It is proposed, with great confidence, yet with utter humility, that the Ten Pillars Programme which constitutes the recommendations of The Programme For The Eradication Of Pensioner Poverty has the power to help society, over time, to meet and cope successfully with all five core challenges. In fact, it is proposed that the implementation of the Programme **in full** will reduce the economic and social risks currently facing society due to the imminent pensions crisis. Furthermore, it is claimed that a new era of economic and social cohesion will dawn upon those communities flexible enough, ambitious enough and courageous enough to adopt and embrace it fully and enthusiastically. We could say that whilst the prospects of meeting the pensions challenge in the medium term are quite bleak, the prospects of redesigning and redefining our economic future are excellent should society decide to harness the power of the Ten Pillars Programme as proposed in the ensuing Manifesto.

Life is catching up with us!

A 'nightmare' scenario?

The Pensions World in Brief

The Year 2007

A ‘nightmare’ scenario? **1**

In the year 2007 ‘Pension Shortfalls’ were a major social and political ‘hot potato’. Unfortunately, not all Governments were as honest as they should have been with their citizens. They failed to explain to them in clear and simple words that the pension issue was a ticking time bomb with a very short fuse, about to explode with almighty consequences.

The following pages contain samples of information relevant to the scale of the problem, as well as, numerous quotes culled from various publications:

A Demographic Time Bomb

The European Union

- *“According to the **European Commission**, by 2050 the EU will have on average only two persons of working age for each citizen aged 65 and older, instead of four currently”*

  Source: Wall Street Journal: 4th September 2007

Greece

- *“According to the European Commission in Greece in 30 years for every pensioner, there will be one worker”*

- *“Government spending on pensions as a percentage of GDP in 2004 – 12.9%”*

  - *“**The Organisation for Economic Cooperation and Development** predicts that Greece will spend **an additional** 10.7% of its GDP on pensions by 2050”*

  Source: Wall Street Journal: 4th September 2007

- *“Greece needs to radically restructure its creaking pension system if it hopes to preserve its recent economic vitality, but few people expect those steps to happen – even though both major parties are promising change”*

  Source: Wall Street Journal: 4th September 2007

Resistance to Change

Italy

- *"In Italy, for example, the government of Prime Minister Romano Prodi has failed to get its fractious centre-left coalition parties to agree changes designed to ease the government's fiscal burden and credit-rating agencies say that failure could blow out the Italian Government debt to unsustainable levels"*

  Source: Wall Street Journal: 4th September 2007

A Multitude of Problems

UK

- *"12 million people under 25 are not saving enough to provide for their old age"*

  The Pensions Commission, The Final Report, 2005

- *"In 1950 the average retirement age was 67 and life expectancy 78. Now, the figures are 63 and 83 respectively. Turner calculates that if present trends continue (a) male aged 65 could expect to survive into his early nineties"*

  The Adair Turner report, October 2004

- *"Women are failing to make adequate provisions for their retirement, with 7.3 million relying on their husband's pension"*

  Source: Scottish Widows

Trade Union Fears

France

- *"The System is financially unsustainable, Mr. Sarkozy told journalists"*

- *"Attempts to reform pension privileges has brought down previous French governments"*

- *"Trade Unions reacted angrily, Bernard Thibault, head of the CGT Union, condemned the president's plans as 'totally unbalanced' "*

  Source: BBC News 18th September 2007

Higher Taxes

Finland

- *"Finland will be the first country to experience Europe's demographic shock"*

- *"Between 2005 and 2020 an estimated 900,000 baby boomers are set to leave the workforce, or **40 percent of the total**"*

- *"The Organisation for Economic Co-operation and Development (OECD) says these changes mean that the number of employed workers to each welfare benefit recipient will drop from 1.7 now to 1.0 by 2030"*

- *"The second big consequence of the demographic shock will be on Finland's pension, health and social system. Without reforms, the **increase** in spending here required by aging could be equal to as much as 6 to 7 percentage points of gross domestic product (GDP)"*

  Source: Financial Times, 4th September 2007

National Financial Stability at Risk

Canada

- *"Time is of the essence. If all parties act on our prescription now, it will dramatically improve the health of the Canadian pension system…"*

- *"The Canadian Institute of Actuaries see the shrinkage of Defined Benefit plans and coverage as a threat to Canada's future financial security"*

  Source: Canadian Institute of Actuaries: Prescription for Canada's Ailing Pension System (June 2007)

Unsustainable Social Policies

Europe

- *"It is well known that social budgets count for around 30% of GDP of continental European countries such as Germany, France and Italy and that broadly speaking expenditure on public pensions in Europe is around or above 10% of GDP. Austria and Italy are forerunners with a around 14% of GDP and in Germany, France and Spain the current share is already 12%... EU average would rise from 10.4% in 2000 to 13.3% by 2050, with wide variations from around 5% to over 20%"*

  Source: European Commission, 2003: Working Beyond 60

USA

- "The funds that pay pensions and health benefits to police officers, teachers and millions of other public employees across the country are facing a shortfall that could soon run into trillions of dollars"

- "The accounting techniques used by state and local governments to balance their pension books disguise the extent of the crisis facing these retirees and taxpayers who may ultimately be called on to pay the freight"

- "State governments alone have reported they are already confronting a deficit of at least $750 billion to cover the costs of the retirement benefits they have promised"

- "Even these grim calculations are based on assumptions that some analysts consider too aggressive, including projections about how the investments of pension funds will fare and how long retirees will live"

- "The biggest issue is the lack of standards in regards to government pensions"

  Source: Washington Post, May 11th 2008

Australia

- "An extra one million over 65's are expected by 2020. If the current ratio of over 65's receiving Age Pensions remains static, the tax increase by 2015 is estimated by Findem at 14% or **equivalent to a levy on taxable incomes of 4**%"

  Source: Financial Demographics Pty Ltd, June 2004

The Financial & Banking World in Brief

The Year 2008

A nightmare scenario? 2

- *"The hedge fund industry is reeling from its worst crisis in a decade as banks demand more money pledged to support outstanding loans even when the investment is backed by the full faith and credit of the United States"*

- *"The lending crack-down is the worst to hit the $1.9 trillion hedge fund industry since Russia's debt default in 1998 roiled global credit markets and required the U.S. Federal Reserve to push the securities industry to arrange a £3.6 billion bailout of the hedge fund Long Term Capital Management"*

  Source: Bloomberg News, International Herald Tribune 11th March 2008

- *"Central banks may be forced to revise their cash-injection programmes of last year if commercial banks continue to be reluctant to lend to each other"*

- *"Banks are asking for more collateral to cover loans after writing down more than $160 billion in assets linked to the subprime mortgage crisis and as fears of a recession makes them call in some of the loans"*

- *"Peloton Partners, a hedge fund based in London and run by former Goldman Sachs partners was forced to liquidate its largest funds last month after it failed to reach an agreement with some of its lenders on the levels of collateral"*

  Source: International Herald Tribune 11th March 2008

- *"Tight money markets, tumbling stock prices and the dollar are expected to heighten worries for investors this week as pressure mounts on central banks facing what looks like the third wave of a global credit crisis"*

- *"… the U.S. Federal Reserve Board announced new measures Friday to ease liquidity strains, injecting $200 billion into the banking system… however, the Fed failed to lift the mood much"*

- *"The Vice Chairman of the Swiss National Bank, Philipp Hilderbrand warned last week that the world might be in a new, more dangerous phase of the crisis. If that is the case, the latest wave is the third one"*

  Source: Reuters; International Herald Tribune 10th March 2008

- *"The plan announced in February by the billionaire investor Warren Buffet to assume responsibility for $800 billion of municipal debt underwritten by these companies excluded any responsibility for subprime – linked securities, which analysts have taken to calling 'toxic debt'"*

- *"American International Group has reported a fourth-quarter loss of $5.3 billion after taking a huge hit on credit default swaps. Shares were trading at five-year lows and shareholders were frustrated with the performance of the company's management... AIG shares... have lost almost a third of their value in the past 12 months "*

  Source: International Herald Tribune 22nd-23rd March 2008

Pensions Turmoil Update

2008

- *"Strikes ease in Greece as pension bill is approved.*

  Greek garbage collectors returned to work on Friday, removing mounds of trash that has piled up on city streets during their two-week strike protesting pension changes. Parliament approved the unpopular changes Thursday, despite weeks of widespread protests that included three general strikes. Rolling power cuts that Greeks had suffered for 17 days also ended after employees at the country's main power company returned to work.

  But, some sectors remained on strike. Lawyers were staying away from Court for the fifth day in a week long strike, and the bank workers' Union declared a 24 hour strike on Friday. A one-day general strike on Wednesday brought the country to a standstill. Strikes over the past three weeks have repeatedly halted public transport and services, and closed the Athens Stock Exchange for two days.

  Unions were outraged by the pension overhaul bill and vowed to stop it. But, law makers voted Thursday, 151 to 13, in the last of three ballots to approve the bill, which will cut back early retirement rights and merge lucrative pension funds with financially troubled ones.

  The Government insists that the overhaul is vital to protect the country's pension system... "We have an aging population and this is causing problems... action must be taken now"

  Deputies from the main opposition, Pasok, a socialist party, walked out of the 300 seat parliament before the vote... "the government is stealing the people's money. It is that simple".

  Unions argue that the changes will cut general pensions and related health benefits, hurt working mothers and add financial pressure on retirees, some of whom receive less than the national minimum wage of €658, or $1,020, per month"

  Source: The Associated Press, International Herald Tribune 22nd-23rd March 2008

- *"Pensions Disaster Warnings*

  Britain's pension schemes face a multi-billion pounds black hole which could have disastrous consequences for millions of pensioners.

  Firms have been underestimating how long people are living, which has left them with huge shortfalls in their pension pots.

  The pensions' regulator has now ordered companies to put their schemes in order. It means many people now preparing for retirement could be forced to make big contributions to their fund in order to avoid poverty in old age.

  The discovery of the black hole was described as another nail in the coffin of Britain's struggling pensions industry, once the envy of the world.

  The pensions' regulator will propose tougher rules for how "defined benefits" – or final salary – schemes calculate life expectancy. That will add billions of pounds to companies' liabilities – a gap they will have to make plans to fill.

  Former Government advisor Professor Ros Altmann said; "This is a step in the right direction of ensuring that companies recognise the real costs of the promises they are making in their schemes. But, it can also be seen as another nail in the coffin for them because when companies do realise how big the real costs are, they will be frightened away from making those promises in the future"... She added it was important to ensure funds were big enough "otherwise, you have innocent scheme members paying in money and then finding there isn't enough to give them the pension they think they are going to get"

  Professor Altmann added that the situation underlined the sharp contrast between workers in private companies and those in the public sector. Tax payers are facing an open-ended contract to fund generous state schemes, which many will be able to claim at 60 when the rest of the country faces working to 65 or longer.

  "The more we realise how we have underestimated the cost of private schemes, the more it is apparent that the cost of public sector schemes is completely out of line. They have not been budgeted for, "she said.

  ... It is thought the changes will increase the liabilities for 99.5 per cent of defined benefit schemes by between six and eight per cent. For about a third of schemes, the increase will be as much as 15 to 20 per cent.

  Men will be assumed to live to at least 89 instead of 87..."

  Source: Daily Express, 16th February 2008

... Each extra year of life expectancy adds between three and four per cent to the liabilities they face"

Source: Daily Express, 16th February 2008

When UK state pensions were introduced in 1948, average life expectancy for male workers retiring at 65 was 69. Now a 65-year-old can expect to live into his eighties...

My mother's life expectancy at my age was in her mid-seventies, mine is 96. That is two decades of more life in one generation."

Source: Don't panic, we have nothing to fear from an ageing society, Timesonline, 26th August, 2008, Sarah Harper, Professor of Gerontology at Oxford University and Director of the Oxford Institute of Aging,

A New Manifesto

The Vision:

The Eradication of Pensioner Poverty

The Delivery System:

The Ten Pillars Programme

A Better Future:

Democratic and Responsible Capitalism

“My children are a lot more important than I am in my life and their children’s children are still more important, and so on.

The value of future generations keeps increasing, and becomes an amplifier rather than a diminisher.”

C. West Churchman

Executive Summary

The Promise: The Eradication of Pensioner Poverty

The Facts

Fact: Increasing average Life Expectancy is a great gift to human beings. At present, a person retiring age 65 could expect to live 20-25 years on average. In 100 years time average life expectancy is likely to be even higher

Fact: The years between 65-90 require more health and care funding than the previous average retirement years i. e. between 65-77. The increased cost is incurred by age related health needs in addition to the doubling of the number of retirement years

Fact: The ratio between people at work and the number of pensioners in society (the Generations Ratio) is deteriorating. From 4 workers to 1 pensioner it is changing to 2 workers to 1 pensioner. Even 1 worker to 1 pensioner in some countries. Greater taxation burden is inevitable

Fact: The children of the poor are "six times more likely to suffer extreme poverty by the time he or she reaches 30 than a child of a lawyer". An impoverished individual is unlikely to be in a position to undertake meaningful life-long pension commitments

Fact: Government budgets are being squeezed ever harder (not only by pension payments)

Fact: Under the current pension system taxes would have to rise and the tax burden levied upon people at work is bound to increase (leading to powerful generational conflicts)

Fact: State Pensions are often inadequate e.g. UK about £5000 p.a. (or about 20% p.a. of the 'average income')

Fact: A Defined Benefit Pension (Final Salary) is excellent for the employee. But, a great cost burden to the Business and Public Sectors

Fact: Defined Benefit Pensions schemes are disappearing from the Business Sector, especially for new employees, as fast as the respective business can discontinue this unquantifiable risk threatening its future prosperity

Fact: The Pension issue has created stresses in society including damaging strikes (the economy and social cohesion are suffering)

Fact: The generous Public Sector pension benefits are likely to create, at some point in time, a polarisation between the 'lucky' recipients and the greater public paying for it (whilst their own pensions will be far less attractive)

Fact: Most Young people can't or won't save for a pension as required if left to their own devices (neither will they borrow against future earnings to invest in a pension as some economic theory proposes)

Fact: Without significant investment growth over time there cannot be a pension. Most people simply do not earn enough to set aside the full amounts (capital) required for the retirement years i.e. 20-25 years

Fact: The 'Insurance Pool' Pensions' Principle was designed in 1889 to capitalise on the fact that a certain significant percentage of contributors will not reach retirement age. Thereby, reducing the on-going contribution rate required from the group of insured employees. (This means large numbers of contributors will have paid for many years and receive nothing in return)

Fact: The very best time to start a pension for an individual is when they are born (At other times savings are affected by the Inverted Pensions Time Gap Principle)

Fact: The Mid Life Pensions Trap – Most 50 year olds cannot invest the amounts needed to ensure a good pension: there simply isn't enough time left for the contributions to grow

Fact: The Compounded Growth Principle is a great ally to all investors. The longer the investments are allowed to compound the greater the eventual pension benefit

The Vision

- A Great Vision : A Personalised Pension i.e. Each Pensioner will own his/her Own Personal Pension Account from birth

- A Great Vision : Retirement Age Indexed to the specific individual i.e. although the official retirement age is 70 years of age the exact retirement date to be determined by the health state of the individual (own life expectancy/genetically determined?), desire to retire and total funding available in the various Personal Pension Accounts which the individual accumulated

- A Great Vision : Each individual retiring with an annual income which for many (especially those on low income) is likely to exceed work-time income

- A Great Vision : Government finances, the Business Sector and the tax burden levied upon the working population are all better balanced and under reduced pressure. (A great relief to the 'diminished' workforce)

The Delivery System: The Ten Pillars Programme

- Government Grant at Birth: The Special Levy
- Family and Friends gifting at birth
- Family and Friends gifting throughout life
- Compulsory Minimum Pension Contribution : The Employee
- Compulsory Minimum Pension Contribution : The Employer
- Government First Job(s) Pension Subsidy (when necessary)
- Windfalls : The individual contributing throughout life – greater responsibility for self
- The Family Pension Trust : Sharing prosperity
- The Super Trusts : Relentless compounded investment over 90-100 years leading to a much improved economy and to 'living wage' Pensions for all
- MAXILIFE: Helping the individual maximise own life potential at every stage including retirement years (identifying education, work and social opportunities). Helping Society function productively

An Important Step For Mankind: Shared Responsibility for the Benefit of All

- Government Grant at Birth: The Special Levy –

  Each household (the 30% poorer exempted) and each employer funding the annual Special Levy because of their wish to allow the Ten Pillars Programme the opportunity to eradicate Pensioner Poverty and transform the economy and with it the work and life prospects of each individual

A New Life Long Personal Pension Account

Much of the success of the proposed Ten Pillars Pensions paradigm shift is dependent on the prior establishment at birth of a new Life Long Personal Pension Account for every new born individual. In fact, the Personal Pension Account is so crucial to the change in behavior and attitude towards pension accumulation that for a while I was tempted to incorporate the Personal Pension Account into the Ten Pillars and thereby turning them into Eleven Pillars. The reason the Personal Pension Account is not being proposed as an additional Pillar is only because its sole function is to provide an administrative structure for incoming cash rather than be a 'funding opportunity' on its own – which each of the Ten Pillars was designed to provide.

The Details:
A New Life Long Personal Pension Account

- A new Pension System designed around **One Pension Account per Person established at birth**: an account which will remain the vehicle for the accumulation of Pension Savings For Life; exclusively for the benefit of the specific individual. The account will be opened with the relevant Super Trust (see Ninth Pillar)

- The Pension Account will also serve to accumulate all Pension Contributions which the employee and employers will be making to the benefit of the individual in future years (excluding final – salary company pension schemes provided in future years – when or rather if still available)

- The Pension Account will be composed of two Sub-Accounts:

  1. Government: A Sub-Account: The Government Sub-Account to contain:
     a. The Government funds to be provided by Government at Birth: The Special Levy
     b. The Government First Job(s) Pension Subsidy (if required)

  2. Family: A Sub-Account to contain all other 'at birth' and 'lifelong' contributions: The Personal Sub-A/C:
     - Parents and other relatives at birth
     - Parents and other relatives throughout life
     - Friends and family at any time
     - Employee Pension contributions (compulsory or otherwise)
     - Employer (compulsory or otherwise) Pension contributions
     - Individual: Occasional windfall contributions

For the avoidance of doubt: The Rules –

- Each Pension Account will be opened at birth in the child's own name

- Neither the Parents nor the Individual will be able to withdraw funds from either Sub-Account nor to offer its contents as security for unrelated borrowing. The Account will be designated as the Pension Account of the particular individual and all funds contained within will continue to grow until the specific retirement age of the individual herself/himself has been reached (and beyond i.e. until death)

- The existence of the Personal Pension Account will have made the need for a 'Stakeholder Pension' unnecessary. Under the proposed Ten Pillars Programme by the time the individual will have joined the work force s/he will already be well aware of the growing value of their very own Pension Account. (The value referred to will have accumulated under the benefits of the Ten Pillars Programme to be described in the coming pages)

The First Pillar: The Government Grant at Birth and the Special Levy

Focusing on the Individual

Each individual child will have a Personal Pension Account established at birth by Government. Government will be employing the funds raised via the Special Levy to defray the cost of the grants under the First Pillar commitment.

The proposed distribution of the Government Grant moneys at birth is as follows:
- Each male child will receive £5000 at birth
- Each female child will received £7500 at birth
- A male child from a poor family will receive £10,000 at birth
- A female child from a poor family will received £12,500 at birth

How much Capital is the First Pillar estimated to create for the Individual

The estimated capital growth of the Government Grant funds (as above, assuming 70 years at 5% p.a. net compounded investment growth) produces the following results:
- The male child with £5,000 at birth would have a capital amount of £152,000
- The female child with £7,500 at birth would have a capital amount of £228,000
- The male child with £10,000 at birth would have a capital amount of £304,000
- The female child with £12,500 at birth would have a capital amount of £380,000

How will Governments fund the Cost of the First Pillar: The Special Levy

(The numbers provided are based on UK population)

- £176 p.a. paid by each taxpaying household (the 30% poorest households are exempted from the Special Levy)

- £88 p.a. paid per each employee by the respective employer

How have the Special Levy costs been calculated? General Assumptions

- Each year 725,000 children are born in the UK

- 50% of the children or 363,000 are females

- Each child at birth will receive £5000 from Government

- 150,000 of the children (about 21% of the total) will receive an additional £5,000 Government Grant at Birth because they are born to the poorest families

- Each female will receive an additional £2500 at birth from Government in order to compensate her for the pension inequities which women experience when taking time off for giving birth and raising children and their longer average life expectancy

Funding Needs Assumptions

725,000 x £5,000	=	£3.625 billion p.a.
150,000 x £5,000	=	£0.750 billion p.a.
363,000 x £2,500	=	£0.908 billion p.a.
Grand Total	=	£5.283 billion p.a.

Funding Sources Assumptions

- There are 30 million people in work in the UK
- There are 21.5m tax-paying households in the UK
- The 6.5m poorest households will be exempt (30%)
- 50% of the costs of the Special Levy will be paid by 15m tax-paying households
- 50% of the cost of the Special Levy will be paid by the employers of the 30 million employees

Sharing the Cost of the Special Levy

Tax Paying Households will pay:

- £5.283 billion x 50% = £2.6415 billion p.a. to be paid by the tax payers
- £2.6415 billion p.a. : 15 million tax paying households = £176.1 p.a. or £14.68 per month

The Employers will pay

- £5.283 billion p.a. x 50% = £2.6415 billion p.a. to be paid by the various employers
- £2.6415 billion p.a. : 30 m working individuals = £88.05 p.a. per employee or £7.34 per month

DID YOU KNOW?

The ‘first pillar’ on its own has the power to produce an astonishing pensions’ ‘safety net’ for every citizen at ‘minimal’ cost to society by simply harnessing compounded growth over the long term

The evidence

(uk example)

1. The beneficiaries: all 725,000 children born every year

2. Cost to society: every year £5.283 billion will be invested (on average per person = £7,287)

3. The long term growth factor: 44.4 to 1

4. The pension safety net: £7,287 x 44.4 =
   a. 20 years pension total income: £7,287 x 44.4 = £323,538
   b. Average annual pension income per person = £16,177 (paid for 20 years)

The Second Pillar: Parents, Family And Friends Gifting At Birth

The Birth Event

The birth of a child is a happy event. In many families and communities the birth of a child is not only celebrated by the child's immediate family but also becomes a joyous event for the extended family and close friends.

It is proposed that the birth of a child should become a rallying point at which time family and friends can try to help by making a worthwhile financial contribution towards the build-up of the child's eventual pension benefits. It may sound perverse to talk about the child's pension years during the days following the birth celebrations and yet this is just the right moment. The days following (or even preceding) birth are perfectly placed in order to collect funds from family and friends, funds which could be invested with the respective Super Trust and allowed to grow and compound for 70 plus years. Every pound which is gifted at birth and invested right away will have the opportunity to grow and compound many times. At 5% p.a. net compounded growth each pound will become thirty pounds after 70 years. £1,000 will become £30,000.

Target Setting

Each family should try to set a minimum target for overall gift collection on the occasion of the birth of each child. Each family ought to set a target which is ambitious yet realistic. This means the family has to take into account the ability of the family and its friends to part with the desired funds. The potential donors can include:

- Parents
- Grandparents (both sides)
- Uncles and aunts (both sides)
- Brothers and sisters of the child (if old enough)
- Cousins
- Other extended family
- Close friends

Minimum target

It is suggested that every family should try to raise at least £1000 in total

- £1000 invested right away will grow to become £30,000 after 70 years (at 5% p.a. net compounded growth)
- £2000 invested right away will grow to become £60,000 after 70 years (at 5% p.a. net compounded growth)
- £5000 invested right away will grow to become £150,000 after 70 years (at 5% p.a. net compounded growth)

Borrowing

For many, possibly the majority of parents and families, even the lowest initial target of £1,000 may sound totally unrealistic. There are ways around this however. Parents and grandparents could decide to borrow a few thousand pounds on the occasion of the birth of the child and undertake to repay the loan over a number of years.

A loan of £2000 repaid (in equal monthly instalments) over 36 months at 7.5% p.a. interest rate would require a monthly instalment of £62 – or less than £15 per week. The total cost to the parents (i.e. capital plus interest) will add up to approximately £2230 in total over the three years (£62 per month x 36). But this investment would produce significant benefits if allowed to run its course. £2,000 invested at birth and allowed to grow over 70 years would become £60,000 (at 5% p.a. net compounded growth).

Transfer of Pension Assets

It is expected that Governments would allow the transfer of pension assets from parents and especially grandparents (and other close relatives) to the newly established personal pension sub account of the new born. Each transfer would have to receive the prior approval of an actuary to ensure that the pension prospects of the donor are not adversely affected by the gift. It is expected that such pension asset transfers will be made without incurring a tax liability of any kind.

The transfer of pension assets from parents and especially grandparents would be very cost efficient. This is because the assets owned by the grandparent are unlikely to double even one more time in their life time yet the same pension asset could grow 30 times to the benefit of the child.

Example of starting a new-born Personal Pension Sub Account

Assuming that the account is made up as follows:

- Parents donating £1,000 (from savings, borrowing, pension assets)	£	1,000.00
- Close family donating £500 in total	£	500.00
- Grandparents (from both sides) each donating £1,000 from their own pension assets	£	4,000.00
- Close friends donating in total	£	500.00
- Grand total	£	6,000.00

£6,000 allowed to grow and multiply for 70 years at 5% p.a. net compounded growth rate will become £180,000 by the time the 'baby' will have transformed into a young pensioner (probably with some 20 years further life expectancy)

It should be noted that the £180,000 on its own could be expected to provide a pensioner with an **annual income** of some £13,000 for a period of 20 years (assuming the balance funds continue to earn 5% net p.a.)

The Third Pillar: Parents, Family And Friends Gifting Throughout Life

A Life Long Journey

It is expected that within a number of years from the launch of the Ten Pillars Programme individuals and society will begin to understand the value of boosting up the pension assets at every occasion, especially earlier in the life of the individual.

It is also expected that the Super Trusts (the organisations responsible for the long term management of the pension funds) will be promoting the idea of gifting money by way of **Pension Vouchers** issued by them rather than spending these sums on unimportant expensive gifts. Naturally, there will always be a place for a personal gift. Yet, it is anticipated that the nature of gifts will change dramatically before too long.

Life provides many opportunities for giving gifts to family and friends. As during the 'birth' event the idea would be to try and encourage donors to gift early in the life of the individual in order to give significant eventual value even to relatively small sums because of the long investment duration.

For example: a £10 Pension Voucher could grow to become £300 after 70 years.

The 'Gift' Occasions?

- Birthdays
- Anniversaries
- Graduation(s)
- Special achievement dates
- Marriage
- Divorce
- Moving house
- Party time
- Dinner time
- 'Thank you' time
- Etc.

Gifting Pension Assets

It is expected that Government will allow the gifting of 'excess' pension assets from the pension accounts of close relatives especially parents and grandparents. Such gifting could be done at any time in the life of the parties.

The cost to the donor is minimal on the assumption that their pension account is well endowed; especially if the donor is 50/60 years of age or older. The authorisation of an Actuary will be required before such transfer was made possible.

The Value of Gifting Throughout Life

Example

		Years of Growth	Estimated End Value at age 70
The individual will receive £500	by age 5	(65)	£ 12,000
The individual will receive additional £500	by age 10	(60)	£ 9,300
The individual will receive additional £1500	by age 20	(50)	£ 17,000
The individual will receive additional £1500	by age 30	(40)	£ 10,600
The individual will receive additional £1500	by age 40	(30)	£ 6,500
The individual will receive additional £1500	by age 50	(20)	£ 4,000
	Total gifting £7000		
Total accumulated value by age 70 (assuming 5% p.a. net compounded growth)			**£ 59,400**

The Fourth Pillar: Employee's Life Long Compulsory Minimum Pension Contributions

Vision

As part of the long term redefinition and restructuring of the entire pensions' concept, it will be necessary for Governments to pass legislation (where it is not already in place) which will spell out very clearly the respective pension responsibilities of Employee, Employer and Government itself. This legislation will need to address:

Responsibilities

Each **Employee** needs to understand and accept that s/he has a personal responsibility for the accumulation of assets to be used to provide a 'living wage' personal pension for herself/himself during the long years of retirement to which each healthy individual could look forward.

Each **Employer** needs to understand and accept that, when calculating the total amount (cost) which the services the individual is providing to the organisation are worth, a specific sum needs to be allocated and paid monthly towards the long term well being of the individual. The Employer also needs to understand and be assured that, by making the agreed monthly payment, they will have discharged in full their organisation's obligation towards the pension needs of the individual employee concerned.

The Employee

It is proposed that the Compulsory Minimum Pension Contribution which the individual will have to make under the law, to the benefit of his/her own eventual pension value, will be set at 3% of gross salary with a minimum of £300 p.a. This amount will be deducted by the employer from the gross salary and paid monthly to a designated Pensions Administrator (or directly to the respective Super Trust).

Employee Compulsory Minimum Pension Contributions

It is proposed that the legislation should require:

- A minimum annual contribution of £300
- A minimum contribution of 3% of gross salary for all earnings over £10,000 p.a.

Under these conditions, employee costs (at 3% of gross salary) would be:

- Minimum cost	=	£ 300 p.a.
- £15,000 p.a. income	=	£ 450 p.a.
- £20,000 p.a. income	=	£ 600 p.a.
- £50,000 p.a. income	=	£ 1,500 p.a.

Note also that each employee would be able to make higher monthly pension contributions, and up to a certain level (depending on country) would be able to reclaim the tax paid on the respective amounts of income. (That is, the contributions could be made from pre-tax income thereby increasing the value of the contributions significantly or alternatively reducing the net cost to the employee).

Example of Current Pension Practice

The Australian Experience

- Minimum employer contributions (compulsory) 9% of salary
- Minimum employee contributions (compulsory) 3% of salary
- 12% p.a. of pension contributions are estimated by the Australian government to result in the following:
    - After 40 years a worker could retire on 40% of their Final Salary
    - E.g.: A$ 50,000 Final Salary will be entitled to receive A$ 20,000 p.a. pension (Plus means tested State Pension)

  Source: The Guardian, 12th October 2004
- Assuming a 5% p.a. annuity rates, the A$20,000 annual pension requires a capital fund of A$400,000 (20 times)

Note – for comparison

£10,000 invested at birth and growing at 5% p.a. net compounded growth will become £300,000 by the time the individual is 70 years of age. Assuming the individual will have a 20 year life expectancy and that capital balances continue to enjoy a 5% p.a. net compounded growth, the annual pension which the individual could expect to receive would be approximately £22,000 p.a.

In support of compulsory pension contributions by the individual

> *"Once it becomes the recognised duty of the public to provide for the extreme needs of old age, unemployment, sickness, etc., irrespective of whether the individuals could and ought to have made provisions themselves, and particularly once help is assured to such an extent that it is apt to reduce individuals' efforts, it seems an obvious corollary to compel them to insure (or otherwise provide) against those common hazards of life."*
>
> Source: Friedrich von Hayek

The Fifth Pillar: Employers' Compulsory Minimum Pension Contributions

For the respective employer to discharge the organisation's pension responsibilities to the individual employee, it is proposed that the level of their minimum contribution be set as follows:

- For an employee whose gross earnings are up to £10,000 p.a. the employer will contribute a flat amount of £500 p.a. (£41.70 per month)

- For an employee whose gross earnings are between £10,000 p.a. and £20,000 p.a. the employer will be obliged to contribute 5% p.a. of gross earnings

- For an employee whose gross earnings are between £20,000 p.a. and £33,333 the employer will be required to contribute a flat amount of £1,000 p.a. or £83.33 per month. (This means that the effective pension cost for an employee earning £25,000 p.a. is reduced to 4% p.a.)

- Above annual gross income of £ 33,333 the Compulsory Minimum Pension Contribution paid by the employer will be fixed at 3% of the gross annual salary of the respective employee (paid monthly)

At any stage, the employee and the employer could, as part of the overall compensation package for the services of the individual, agree upon a higher level of employer pension contribution. However, under the proposed legislation the employer could neither decide nor agree to reduce the on-going level of compulsory contributions irrespective of the willingness or desire of the individual employee to do so.

Examples of Employer Compulsory Minimum Pension Contributions

Subject to legislation as described above, the employer costs would be:

- £500 p.a. minimum cost per fulltime employee (£41.7 per month)
- £750 p.a. cost when the employee is earning £15,000 p.a. (5%)
- £1,000 p.a. cost when the employee is earning £20,000 p.a. (5%)
- £1,000 p.a. (flat rate) when the employee is earning £25,000 p.a. (4%)
- £1,000 p.a. (flat rate) when the employee is earning £33,333 p.a. (3%)
- £1,500 p.a. when the employee is earning £50,000 p.a. (3%)

Note: Each employee would be free to try to negotiate higher employer pension contributions as part of his/her overall remuneration package. However, it is proposed that neither employer nor employee will be allowed to agree pension contributions which are lower than the proposed legislated minimum.

Turner's Vision

The idea is that millions more workers should have funded pensions (backed by investments) instead of relying on state pay-as-you-go schemes (financed by present-day taxes)"... "They'll pay in 4 percent of their salary, with employees contributing another 3 percent and the state chipping in 1 percent".

Source: Liam Halligan, Chief economist, Prosperity Capital Management

The Sixth Pillar: The Government First Job(s) Pension Subsidy (if and when required)

> *"If young workers miss out on the first 10 or 15 years of their careers because of other demands on their budget, reaching a sufficient pension level will become even more difficult. This report illustrates how important it is that workers start saving early and contribute regularly".*
>
> Source: OECD, Pensions at a Glance, Public policies across OECD Countries, Executive Summary, p.9, 2007

To meet the challenge posed by this timing and priorities difficulty requires the Government to play a leading role in redefining and restructuring the Pensions Concept.

Government Responsibility

The Ten Pillars Programme employs a Paradigm shift. Part of this process is based on the fundamental understanding of the value of very early investment for the achievement of maximum pension benefits and reduced financial burdens. Therefore it is proposed that Government assumes the following responsibility.

- Each respective Government will agree to accept responsibility (if and when necessary) to boost the annual Compulsory Minimum Pension Contributions of both Employer and Employee in order to achieve a minimum total annual Pension Contribution of £2,000 (for a limited period)

Example

of employee, employer and government contributions

Employee gross earnings	£10,000 p.a.		£15,000 p.a.		£20,000 p.a.
Employee contribution (flat)	£300	(3%)	£450	(3%)	£600
Employer contribution (flat)	£500	(5%)	£750	(5%)	£1,000
Total p.a.	£800		£1,200		£1,600
Government contribution	£1,200		£800		£400
Total amount available	£2,000		£2,000		£2,000

As stated opposite the Governmental Contribution would be limited

- The Government would contribute the relevant amount of pension 'topping up' (max £1,200 p.a.) for 7 years in total, that is a maximum cost exposure of £8,400 per employee.

- The Government would seek to provide the pension contributions as early as possible in the working life of the individual, but not later than at age thirty. That is, the last contribution the Government would be required to make would be when the individual reaches age thirty. This would be irrespective of whether or not the Government had made the seven possible annual contributions.

The rationale for this is to provide a significant boost to the overall pension accumulation of each individual at the earliest possible age, and thus to allow the maximum impact to the compounding principle upon the growth of assets, at a relatively low cost to the nation.

Example 1

£2,000 saved p.a. for seven years between the ages of 18 to 24 i.e. £14,000 in total, will have grown by age 70 (at 5% p.a. net compounded growth) to £160,000 (or 11.43 times the original contributions)

Example 2

£2,000 saved p.a. for seven years between the ages of 23 and 29 i.e. £14,000 in total, will have grown by age 70 (at 5% p.a. net compounded growth) to £122,000 (or 8.69 times the original contributions)

Example 3 (not subsidised by Government)

£2,000 saved p.a. for seven years between the ages of 33 and 39 i.e. £14.000 in total, will have grown by age 70 (at 5% p.a. net compounded growth) to £76,000 (or 5.43 times the original contributions)

Comparison of growth potential: £14,000 invested monthly (Pension Contributions)

Between the ages 18-24 could grow by	11.43 times to £160,000
Between the ages 23-29 could grow by	8.69 times to £122,000
Between the ages 33-39 could grow by	5.43 times to £ 76,000

The position of 'Minimum Wage' income-earners (UK)

The annual income of those on the adult minimum wage can be calculated:

- Daily income £5.73 per hour x 8 = £45.84 per day

- Weekly income : £45.84 per day x 5 days = £229.20 per week

- Annual income: £229.20 per week x 52 weeks = £11,919.00 p.a.

Minimum wage earners would receive a Government subsidy towards pension accumulation. The proposal for Compulsory Minimum Pension Contributions suggests:

Employee : 3% p.a. with a minimum of £300 p.a.
Employer : £500 flat contribution up to an annual salary of £10,000
: 5% of annual salary between £10,000-£20,000
: £1,000 flat contribution on annual salary between £20,000-£33,333
: 3% p.a. on all salaries above £33,333 p.a.

From the above it seems quite likely that the number of full-time UK employees earning less than £10,000 p.a. is not very large (£5 per hour).

The conclusion is that, together with the Employee and Employer Compulsory Minimum Pension Contributions, and the Government First Job(s) Pension Subsidy (for a maximum of 7 years), even wage earners receiving only the Minimum Wage income would be able to accumulate pension contributions of £2,000 p.a. for up to seven years and most importantly early in their working life.

Financing the Cost of the Government First Job(s) Pensions Subsidy

In order to be able to estimate correctly the amounts likely to be needed to fund the Government First Job(s) Pension Subsidy it would be necessary to have access to the 'income level' of every individual under the age of 30

- **When should the Subsidy start?**

  It is proposed that only when the first generation of the youngsters which first received the Government Grant at Birth will have reached working age should the Subsidy regime be implemented. This means there will be, for most youngsters, a time gap of 18-19 – or 21 years. It is assumed that most youngsters will remain in full education to the age of 18. It is further assumed that a large percentage of secondary education pupils will have entered University (50%?) or alternatively have undertaken additional vocational education.

- **Building up an Endowment Fund: Increasing the Special Levy**

  It is suggested that the Special Levy mechanism introduced by the First Pillar in order to raise the funds necessary to pay for the Government Grant at Birth should also be employed to cover the cost of the Sixth Pillar. Namely, the annual contribution which each **employer** will be required to make in respect of each employee would rise from £88 to £100 p.a. (there is no need to require householders to make a further contribution)

  - If we assume that there are 30m individual employees in the UK the amount raised via the additional £12 p.a. will be some £360m p.a. These funds would be invested and re-invested in order to build up a dedicated Endowment Fund

  - If we further assume that it will take 19 years before substantial sums would be required to fund the Government First Job(s) Pension Subsidy for the first generation of youngsters the Endowment Fund could be estimated to have grown to some £11.5 billion. (This amount is based on 19 years x £360m = £6.840 billion plus compounded growth at 5% p.a. net)

- On the assumption that the additional £12 p.a. Special Levy contribution per employee or £360m p.a. will continue to flow to the Endowment Fund every year thereafter too, its annual capacity to pay towards the Government First Job(s) Pension Subsidy could be estimated to be £360m + (5% x £11.5 billion =) £575m = £935m p.a.

Surplus Funds?

Although the seven years of subsidy payment could take place at any time until age 30, it is not expected that a large proportion of the working population would require the Government First Job(s) Pension Subsidy for the full seven years, if at all. Therefore, it is possible that the sum of £935m p.a. available for the proposed subsidy would not be required in full each year.

For example; if we assume that the average subsidy provided (paid only to those individuals who are earning less than £33,333 p.a.) would be say £700 p.a. the sum of £935m p.a. would be enough to pay the subsidy to 1,335,714 individuals p.a. If we assume that the average subsidy paid was say £400 p.a. (paid to an individual earning £20,000 p.a.) the number of people who could be supported each year by the £935m p.a. endowment fund income would increase to 2,337,500.

Minimum Wage Earners: The Lowest Paid (UK)

An individual between the ages of 18-21 would be entitled by law to receive in the UK a minimum wage of £4.77 p.h. which adds up to an annual salary of some £9,921. A person aged between 16-17 could expect to receive £3.53 per hour or some £7,342 p.a. It is proposed here that should the £12 p.a. additional Special Levy funding received per employee prove to generate ongoing surplus funds, Government should decide to use these monies to increase the subsidy to those employees on the minimum wage income and subsidise in full the employee's own Minimum Compulsory Contribution of £300 p.a. as well (i.e. a maximum total of £1,500 p.a. for seven years or, £10,500 in total).

The Seventh Pillar:
The Individual: The Occasional 'Windfall' Contributions

With an average life expectancy in the high eighties, even nineties, every individual can expect a long and complex life journey. It is clear that during such an extended period of time each individual will have many opportunities to earn or receive an 'extra' one-off amount or an 'extra' on-going income. The Ten Pillars pensions' paradigm shift and the new philosophy it represents is structured to focus the mind of the individual on the 'simple' idea of taking responsibility for themselves in the present for a much better future.

It is important for the individual to be able to distinguish between two forms of life 'savings':

The Pension: A full participation in the Ten Pillars Programme, firstly through the gifts of parents and family at birth and secondly through the compulsory pension contributions (employee and employer). These 'savings' will only become accessible to the individual upon retirement (each individual's retirement age would be indexed to their own life expectancy and funds accumulation)

Life's Cash Flow: These are essential savings which the individual will need to accumulate in addition to the pension contributions and pension assets build up. The individual will need to have 'free' funds available at a moment's notice to deal with a whole host of issues. For example:

- A period of unemployment
- A period of study and additional skill acquisition
- Deposit to rent a property
- Deposit to buy a property (Down payment)
- Down payment needed to purchase a car
- The cost of a holiday
- A period of illness where the cost of private specialist medical support is needed
- Expenses to do with the family, etc.

'Windfall' Contribution(s) to Pension accumulation

During a long and planned life time the individual, especially one with the strength and ambition to maximise their life's potential, can look forward to successful career prospects plus other opportunities to create material benefits. Many individuals take a 'second job' demanding a few extra hours of work per week and can thereby generate useful additional income. Others take advantage of a beloved hobby to offer services (e.g. photography) or to sell products (e.g. paintings, jewellery) and successfully combine the pleasure of creativity with the practicality of earning additional income. It is clear that much of the additional income will be used to supplement on-going living costs and to build up the Life's Cash Flow bank account.

At the same time the Seventh Pillar has been established to alert the individual to the need to maintain on-going interest in the continuing build-up of the pension assets. The idea behind the Seventh Pillar is to make sure that when the opportunity arises to earn extra cash that the individual will always remember the option to invest some or all of that extra money in the pension account.

Over an extended life time many individuals are likely to benefit from some of the following:

- Receipt of an unexpected cash gift directly (rather than paid into the Pension account by the donor)
- Receipt of a useful bonus from an employer
- Win of a cash prize
- Being the beneficiary of an inheritance
- Selling a family asset or heirloom
- Sell services (outside the confines of the working day)
- Selling products generated by the employment of a hobby or skill
- Receipt of a useful tax refund

The Earlier the Better

Every contribution made to the Pension Account will bolster the ultimate level of income which the individual will be able to draw when the time comes. Nevertheless, it is essential to keep reminding the individual of the power of compounded capital growth over time. This means that £100 additional pounds invested at age 28 will be able to double 3 times to age 70, at 5% p.a. net compounded growth, and become £800 i.e. multiply 8 times. The same amount invested at birth will be able to double 5 times and multiply 30 times to become £3000 –

It should be clear for all to see that much of the power of the Ten Pillars Programme comes from the employment of compounded growth over the very long term. It needs to be emphasised once again that the ability of most people to allocate large amounts from their on-going earnings and apply these towards pension accumulation is limited. Therefore, it is essential to contribute as early as possible and rely upon investment growth to create the additional value.

Examples

If we assume that the individual will have invested under the 'Occasional Windfall' contribution category (the Seventh Pillar), the additional pensions value created could be significant:

Example One

- £1000 invested by age 28 : The capital amount by age 70 will be about **£8000**
(eight times at 5% p.a. net compounded growth)

Example Two

- £5,000 invested by age 30 : The capital amount by age 70 will be **£35,000**
(or 7 times at 5% p.a. net compounded growth)

Example Three

- £15,000 invested by age 35 : The capital amount by age 70 will be about **£83,000 –**
(or almost six times at 5% p.a. net compounded growth)

The Eighth Pillar: The Family Pension Trust Structure

"Pensions should be a family affair"

The Ultimate Vision for Society

My assumption is that the ultimate vision for society is the development of a pension system able to deliver the means for the accumulation of sufficient pension assets so that each individual will be able to retire at the time appropriate for them and enjoy at the very least the benefits of a reasonable 'living wage' for the balance of their days. It is clear that the achievement of this vision requires a new pensions' paradigm. This new paradigm will require a degree of flexibility and responsibility by both the individual and the authorities. I am confident that, once the proposed new system is established, it will become clear that the overall cost to individuals and society is no greater than the current overall cost.

Government Flexibility: Pension Assets

The proposal is that Governments will allow families, subject to certain conditions, to be able to view, if they so desire, the pension assets of the various family members as belonging to 'one pension pot'.

The idea is very simple. Family members, but especially parents and grandparents, will be able to gift pension assets from their own pension account to their siblings. Of course, each such transfer will have to be genuine and approved by an actuary, to make sure the pension prospects of the donor will not be adversely affected.

The rationale for the proposal is straight forward:

- The donor has sufficient pension assets in their pension account
- It may be easier for the donor to gift existing pension assets than cash (which might be needed say for the business, a holiday or medical treatment)
- The number of times the value of the asset could multiply in the account of the beneficiary is greater than that of the donor due to the large age differential

For example:

If the donor is a grandparent age 70 the asset gifted will have the opportunity to double once to age 84 i.e. a £5,000 gift will have grown to £10,000 during the next 14 years (at 5% net p.a. compounded growth). The same amount of £5,000 – received at birth by the child – will be able to double 5 times during the next 70 years and grow 30 times (at 5% p.a. net compounded growth) and become £150,000

Tax Free Transfers

It is essential that the Family Pension Trust Structure as authorised by Governments is able to transfer pension assets – under the supervision of an actuary – without incurring tax liabilities of any nature. Of course, Governments could limit the amounts transferred to avoid the sums becoming large enough so they no longer would qualify as pension assets and become more like the transfer of inheritance on a scale requiring inheritance tax payments (where and when applicable).

The Moment of Truth

One of the tests of every Government regarding the sincerity of its expressed desire to establish a Pension System finally able to eradicate pensioners' poverty will be the willingness to encourage, motivate and incentivise families to take responsibility for the welfare of the individual and the family. The success of the vision of the Ten Pillars Programme will materialise when individuals and families learn to combine their resources and share whatever wealth they have with siblings. The Ten Pillars Programme allows relatively small sums to make a huge difference in the long term.

Some examples:

Parents and grandparents transferring from their pension funds

Parents transferring £1000 from their own pension account at birth:

- 70 years later the amount will have grown 30 times to £30,000 – (at 5% p.a. net compounded growth)

Grandparents transferring £1000 x 4 = £4000 from their own pension accounts at birth:

- 70 years later the amount will have grown 30 times to £120,000 (at 5% p.a. net compounded growth)

Grandparents transferring £1000 x 4 = £4000 from their own pension accounts when the grandchild is 10 years old (and grandparents 70)

- 60 years later (child age 70) the amount will have grown to £75,000 (or 19 times)

The cost to **each** grandparent is the original £1000 gift plus another £700 of lost growth, by the time they reach 80 years of age for a total of £1700 less capital in their own individual pension account

Note the 10 years time difference from birth i.e. 10 years less growth from birth reduced the total sum available to the grandchild at 70 by £45,000 or almost 40%!

Government allowances at birth

Parents taking sums of money from their own Pension Schemes and transferring them tax free to the child:

The maximum absolute amount would be agreed with the respective Government, as would the maximum percentage of the parental pension assets to be transferred. The agreed percentage would depend also on the age of the parent (possibly with young people being able to transfer more). The percentage may also depend on the ability of the parent to replace the donated value (good job prospects).

Grandparents taking sums of money from their Pension Schemes and transferring them tax free to their grandchild:

The ultimate cost to the grandparent is the lowest because the cash/asset has less time to grow. Government rules will dictate the maximum amount and maximum percentage to be given away by grandparents (the % loss is likely to be relatively small because the amount will not have much time to grow in the account of the grandparent).

Parents and Grandparents (and possibly Uncles/Aunts) would be allowed by Government to contribute cash to the child's pension account on a pre-tax basis i.e. the Government would reimburse to the donor the tax paid on the amount donated (possibly at the basic rate).

Cost to Government

Considering that every pound granted by the family at birth could provide as much as £44.4 of retirement income (between the ages of 70 and 90) the respective government could limit the tax-free pension asset transfer to say £5000-£7500 per individual donor and possibly say to £20,000-£30,000 in total per child.

The Ninth Pillar: The Super Trusts: Managing Pension Investments For Long Term Growth

The Super Trusts

The proposals here involve a major departure from the current situation. There are, of course, many people who already have individual pension accounts which are managed by third parties on their behalf. But the new Ten Pillars Paradigm would result in the accumulation of very considerable sums of money to be managed for 100 years, and the Ninth Pillar is about the establishment of 'Super Trusts' to undertake this vital management task. By virtue of the time scale and the massive sums involved, the activities of the Super Trusts would be very significant for the economy, and also necessitate detailed consideration of the governance arrangements that should apply to them.

To manage the funds generated by the Government Grant At Birth, it is proposed that a new Trust would be established every 3 years. Each UK Super Trust would start with some £16.929 billion in contributions (3 years worth of contributions including the 0.36 billion p.a. earmarked for the Sixth Pillar – plus investment growth). The funds are projected to grow at an estimated 5% net p.a. compounded growth. Over time the Super Trusts would become a dominant feature of the economic landscape. (See Table page 79).

Long Term Investments: The Long Term Multiplier Effect

The funds are expected to accumulate, grow and compound with little payout for at least 60 years and so build up their value. In fact, since the average life expectancy is still increasing (projections are that it will rise to above 90 years) many individual Pension Accounts will be managed for some 100 years!

The responsibility of the respective Funds Management Company – the Super Trust – would be to manage the moneys for productive long term growth. This will be a unique opportunity to plan the investments for the long term without having to worry about monthly/quarterly returns or stock market fluctuations.

To be successful each Super Trust would:

Recruit the best Fund Managers, but select only those individuals with a mind set for long term growth rather than short term fireworks and huge bonuses.

Research and learn from the best long-term Fund Management organisations in the world. The people to observe and learn from might include:

- Warren Buffett and his organisation (Berkshire Hathaway)
- Wealthy families, some with hundreds of years of successful long term investing (could recruit some of their personnel)
- Insurance companies with excellent long term investment record
- Others?

The Super Trusts might sponsor competitions for ideas, from Business Schools (and others?).

All income and dividends earned would immediately be reinvested to achieve the maximum rate of compounding value – over the very long term. There would be no distribution until the formal date of retirement has been achieved (for each individual member).

Low management charges and operating costs

The idea would be to operate the Super Trusts very effectively and reduce the management charges and other operating costs to a level which will not impact adversely the capital growth and value of the assets and therefore the eventual pensions obtained by the respective individuals

One time upfront charge

- It is suggested that during each of the three years that a Super Trust receives investment Funds to manage a one-time upfront charge of 0.1% will be applied (one tenth of one percent). This means that on £5.643 billion of funds the amount received by the Super Trust will be £5.643m

  - Over the three initial years the Super Trust will receive 3 x £5.643m = £16.93m of One-Time Upfront Charge in total

Annual Operating Charge

It is suggested that the on-going Management Charges and Operating Costs applied to the investment funds will be 0.1% p.a. of the capital values:

- During the first year after being set up the Super Trust will receive some £5.643 billion over the 12 months. This means that 0.1% applied to half of the funds should generate an operating income of some £2.8m

- When adding the one-off upfront charge of £5.643m to the £2.8 annual income the first year gross income of the Trust is expected to be some £8.5m

- At the end of the third year of its operation each Super Trust is expected to hold some £18-19 billion in investments

  - 0.1% x £18 billion will generate approximately £18m in annual operating income

Long term income for the Super Trusts

- A Super Trust managing some £32 billion (say after 14 years) will be generating at 0.1% about £32m in annual operating income

- A Super Trust managing some £62 billion (say after 28 years) will be generating at 0.1% about £62m in annual operating income

Capital Growth: Is the proposed programme so different?

The compounding growth principle which underpins the whole concept of the current system of Pensions Savings as practiced at present is also the principle employed by the proposed Ten Pillars Programme for the Eradication of Pensioner Poverty. The only differences are:

- The period of accumulation and capital growth is much longer
- There is a capital amount (a lump sum) which is invested at the start of the programme therefore allowing a much greater opportunity for repeated 'doubling' of the savings

The Ten Pillars Programme is assuming a 5% net annual compounded growth. Net annual growth means net of expenses and hopefully net of inflation. Although it may not be easy to achieve such consistent return over the long years, it needs to be remembered that all Pension Schemes are calculated by assuming a certain rate of growth. Therefore, once again the proposed Programme is not different to the existing custom of Pension investments.

In the traditional Pensions building opportunity, the individual will be making monthly contributions to the scheme, as well as, the employer (s) of the time. The only difference between the proposed Ten Pillars Programme and the traditional way is that at the birth of the child the 'public' via the Special Levy will be making a capital contribution.

The reason tax payers and employers will be making their Special Levy contributions without rancour (£176 p.a. per tax-paying household – excluding the 30% poorest – and £100 p.a. per employee by each employer) is in order to remove the economic and social blight which poverty in old age means – once and for all.

The individual and the people employing him/her throughout their life will be expected to make monthly contributions in the tradition of good Pension Savings in addition to the annual Special Levy. (Compulsory Minimum Pension Contributions, applying both to employee and employer, is intended to make sure everyone continues to contribute in the tradition of 'good pensions savings').

Example

The Chilean Pensions Revolution

In 1981 Chile introduced a Compulsory Minimum Pension Contributions System which required every salaried employee to contribute at least 10 percent of their wages into personal pension accounts managed by private pension funds. "The mandate created a huge pension pool of capital that spurred a wave of investment. Pension Funds accumulated $111.4 billion by the end of 2007 – 70 percent of gross domestic product – and helped to drive growth in what became known as Chile's "miracle" economy. The private funds earned on average 10 percent return since their start, **ensuring that typical workers who contributed since 1981 now collect about 85 percent of their final wage upon retirement.** That is more than double the average 40 percent paid to full-career, middle-income Social Security recipients in the United States, according to a study by James last year. (Estelle James, a former World Bank economist)"

In 2008 Chile announced a "new $2 billion – a year programme (to) expand public pensions to groups left out by private pensions – the poor, the self-employed, homemakers, street vendors and farmers who saved little for retirement – granting about a quarter of the nation's work force public pensions by 2012". The proposed programme has been called "the most ambitious pension plan for the poor of the region" by David Titelman, a social security expert at the United Nations Economic Commission for Latin America and the Caribbean"

The new pension programme, so-called Solidarity Pension, which is enjoying the weight of the support of the Chilean President Michelle Baclelet "will supplement, not scrap, the current private pensions, while salaried employees continue paying into private funds in a combination of state subsidy and free market"

The combined approach "illustrates an evolution – it shows you need a hybrid system and can't put all your eggs in one basket" said Estelle James, "Public pensions alone are not able to finance them, while private accounts can leave people out"

The new $2 billion p.a. public pension liability assumed by the Chilean Government has raised concerns. "We've had great prosperity in recent years, but now we have the danger of programmes that are overly generous" said Mauricio Soto, an economist at the Centre for Retirement Research at Boston College. "Can these countries sustain such programmes when things go south?"

The Chilean experience has inspired confidence and encouraged "dozens of countries from neighbouring Argentina and Peru to Kazakhstan and Latvia" to introduce "similar systems of personal pension accounts. Advocates of privatised social security, including the U.S. president, George W. Bush, praised Chile's example".

Despite the success and the benefits received by participating employees there remains concern that "private pension accounts only pay out to those who have paid in – leaving behind a third of Chile's work force, including most of the 1.2 million people who work in its informal economy. "It's the dark side of the privatised system" Soto said." Any talk of reform has to address this: Are there going to be minimum pension guarantees?"

The new pension legislation was warmly endorsed by Giovanni Carmona, an executive at a shelter for 5,000 elderly Chileans: He "called the legislation a "historic step" for elderly citizens. "This opens not only new hope, but also better living conditions for them", he said"

It is expected that "the overhaul could cut state health care costs by giving the elderly more cash to care for themselves, while new subsidies encourage young people to contribute more to private accounts"

Source: The International Herald Tribune 11th March 2008, page 14

Vast Sums of Money under Management

The assumptions are that in the UK:

- The annual amount collected from the Special Levy and distributed to the Government Pension Grant Account of all new born children is estimated at £5.283 billion p.a. (This amount excludes the additional £360m p.a. raised via the Special Levy to create the Endowment Fund for the Sixth Pillar – The Government First Job(s) Pension Subsidy for a grand total of £5.643 billion)

- The funds grow at the rate of 5% p.a. net compounded p.a.

The accumulated amounts under management in the first Super Trust can be calculated, assuming it was given £5.283 billion p.a. for 3 years. By year 70 the total amounts under management within this first Super Trust alone is estimated to be around £450 billion (assuming 5% p.a. net compounded growth).

These amounts under management are destined to make each Super Trust a major force in long term money management and therefore have a major impact on the level of investment and asset ownership in each participating economy.

Sovereign Wealth Funds

1. An incomplete list (see Appendix 4 for further information, p.206):

“ *Estimated Size of Sovereign Wealth Funds “*

Country	Launch Year	$bn
Abu Dhabi	1976	625
Norway	1990	322 (Govt Pension Fund – Global)
Singapore	1981	215
Kuwait	1953	213
China	2007	200
Russia	2004	127.5
Singapore	1974	108
Qatar	2005	60
Alaska (USA)	1976	40.2
Brunei	1983	30
Total:		$1940.7bn

Source: The Financial Times – Thursday January 24th 2008

2. Russia

> *The country now has reserves of about $470 bn – the world's third largest – and a petroleum stabilisation fund with foreign investments worth $127 bn. Together they provide a $600 bn war chest to fight off speculators"*

Source: The Daily Telegraph: Business News 31st January 2008

It is assumed that every 3 years a new Super Trust will be established, to receive the Special Levy Grant for the following 3 years. Therefore after 70 years it is estimated that there will be 23 Super Trusts investing the Special Levy Government Grant Moneys alone. It is estimated that by the end of a 70 year period the 23 Super Trusts investing the Special Levy moneys will have increased their total funds to a value of about £3550 billion. (Note: Only the first Super Trust will have been invested for 70 years). As a comparison with today's situation:

- Allianz Global Investors (AGI) (4250 employees) manages €1,283B ($1,659B, £859B) including €755B of third party funds i.e. €528B of its own/group funds AGI is one of the top 5 global asset management organisations

- AXA Investment Managers has €478B of assets ($616B, £317B)

- Enhanced Analytics Initiatives (EAI) manages in total €1,800B (£1,260B) of assets (including the assets of AXA it seems – is it an association? Cooperative?) (£1,260B - £317B = £943B)

- UBS has some SFR 2.76 trillion of assets under management

Government Grant at Birth

The Super Trusts (UK)
(Estimated Growth)

No. of Trusts	Capital Accumulation Billions £	Each Trust Growth Years
1	450	70
2	390	67
3	340	64
4	294	61
5	254	58
6	220	55
7	190	52
8	164	49
9	142	46
10	122	43
11	100	40
12	91	37
13	79	34
14	68	31
15	59	28
16	51	25
17	44	22
18	38	19
19	33	16
20	29	13
21	24	10
22	21	7
23	18	4

Total accumulated value in 70 years is estimated at about **£3550** billions, on the basis of 5% p.a. net compounded growth.

Example

In the Opinion of Experts: The Canadian Institute of Actuaries' Prescription for Canada's Ailing Pension System

*"**Higher investment return**. By having larger pools of money to invest and longer investment time horizons, a more aggressive, diversified and informed investment strategy with lower management fees can be used. The higher yields and lower administration costs result in greater value for dollars invested in Defined Benefit plans compared to Defined Contribution plans over the long run."...*

*"**Greater economic benefit to society and the economy**. Bank of Canada Governor David Doge supports Defined Benefit pension plans. He believes that they promote economic efficiency by allowing better allocation of savings and that they contribute efficiency gains for financial markets. He has stated that managers of Defined Benefit plans have both the ability and desire to invest in the kinds of assets which the average individual investor might not normally consider. They have a superior knowledge of financial markets and of the associated risks that make them willing to invest in alternative asset classes, and that plans invest over very long time horizons so they can finance large investment projects at competitive rates of return. An example would be investment in critical infrastructure to support Canada's future production capacity."...*

Source: Canadian Institute of Actuaries, June 2007

"Good Capitalism"

.... it takes a mix of innovative firms and established larger enterprises to make an economy really tick. A small set of entrepreneurs may come up with the "next big things," but few if any of them would be brought to market unless the new products, services, or methods of production were refined to the point where they could be sold in the marketplace at prices such that large numbers of people or firms could buy them. It is that key insight that led us to the conclusion that the best form of "good capitalism" is a blend of "entrepreneurial" and "big-firm" capitalism, although the precise mix will vary from country to country, depending on a combination of cultural and historical characteristics that we hope others will help clarify in the years ahead."

Source: Good Capitalism, Bad Capitalism and the Economics of Growth and Prosperity, William J. Baumol, Robert E. Litan, Carl J. Schramm

The Tenth Pillar: MAXILIFE: Life Long Opportunity Harvesting For Each Individual

This Tenth Pillar is somewhat different in nature from the first nine. Indeed, there is an argument that, once the Ten Pillars Programme has 'matured' and the first nine Pillars have become established features of the National Pension System, then it is this Tenth Pillar which will bring about the biggest change and offer the greatest life value to the individual.

Called MAXILIFE, the Tenth Pillar is a concept and a tool which within a few years could help transform a nation into a Learning Society; that is a society which is made up of individuals who, by using this new internet tool, never stop learning and acquiring new and productive work – and life – related skills. It will bring about the 'Opportunity for all' society about which Tony Blair (and other politicians) spoke. I believe this transformation is necessary for each individual, as well as for every nation as a whole, to remain competitive and also to protect and defend our democratic political system.

A Changing World

Consider the words of the UK's two most recent Prime Ministers:

> *"Our success depends on how well we exploit our most valuable asset: Our knowledge, skills and creativity. They are the key to designing high value goods and services and advanced business practices. They are at the heart of a modern, knowledge driven economy. This new world challenges business to be innovative and creative, to improve performance continually..."*
>
> Tony Blair: Our Competitive Future, Building the Knowledge Driven Economy, December 1998

> *"We will have a society divided between the information haves and the information have-nots – a society with a wired-up superclass and an information underclass."*
>
> Gordon Brown: Quoted in The Times, 29 October 1999

MAXILIFE offers a greater vision for the 21st Century. In the same way that enlightened politicians the world over now understand and accept that wealth has to be created before it can be distributed, so we now also need to recognise that knowledge first has to be targeted, identified and widely distributed before the individual and society can benefit from its vast potential to transform the wealth creation process itself.

MAXILIFE addresses an urgent need. As the former UK Secretary of State for Education said:

> *"Lifelong learning will make the difference between success and failure, and between competitiveness and decline."… we must ensure that we can use the talent of all, to fulfil the potential of individuals and to ensure our economic survival as a nation."*
>
> David Blunkett, Secretary of State for Education, UK

With individuals living longer and with the greater economic resources offered to those receiving pensions by the Ten Pillars Programme, 'something new' is required to enable everyone to take maximum advantage of their improved circumstances. MAXILIFE is the proposed solution.

The solution

MAXILIFE will be designed to provide every individual, free of charge, with lifelong access via the Internet to a powerful one-stop gateway through which s/he can obtain relevant and personalised education, career, voluntary work and other valuable life-enhancing information.

In summary, MAXILIFE offers the benefits to the nation of:

- Life Long Learning for all
- Opportunity for all
- On-going national updating and upgrading of skills
- Higher national productivity and improved international competitiveness

The concept involves:

- A powerful one-stop Internet gateway
- On-going up to date personalised input regarding:
  - Education
  - Training needs
  - Job opportunities
  - Career prospects
- A free lifelong subscription available to every individual
- Initial seed capital provided by the Super Trusts
- A system that is self-sustaining by selling added value services to the business community
- 100% charity owned providing future funding to encourage participation by the disenfranchised

The highlights of the MAXILIFE business model include:

- The use of software that learns to understand each individual subscriber and their growing potential whilst tracking their changing needs and aspirations
- Providing via a Virtual Personal Advisor (software) on-going up to date personalised input regarding education, training needs, job opportunities, career prospects and many other life enhancing ideas/suggestions
- Free lifelong subscriptions available to every individual
- A system that is self-sustaining through income generated by selling substantial Added Value services to the business community
- Confidentiality of subscribers' personal information safeguarded at all times
- Initial seed capital investment to be provided by the Super Trusts
- 100% charity owned (national and international)
- Substantial dividends that will be paid to the respective national charities and used to encourage participation by the disaffected
- Income surpluses that will be used to support participation by Third World and developing countries

MAXILIFE offers any nation adopting it numerous benefits, including:

- Life Long Learning for all
- Opportunity for all (a true democracy of opportunity)
- On-going national updating and upgrading of skills
- Improved utilisation of scarce national resources
- Higher national productivity and improved international competitiveness
- One time set up cost to be paid by the Super Trusts seed capital funding (could be by way of a subordinated loan)
- A free self sustaining concept which also generates substantial on-going dividend stream to be used to encourage participation by the disaffected
- Gradual but certain education of the subscribers towards self-help, self-reliance, enterprise and less dependence on the welfare state
- A new formula to help guide the unemployed to a more productive life
- A new formula to help guide the middle aged through the process of career change

- Reducing the risk of economic recession and disruption in the face of intensifying global competition

- A new network which will be capable of effectively sharing important information about economic and commercial changes with a vast number of people by personalising the message to each individual subscriber and his/her circumstances

There are significant benefits of the charity structure proposed for MAXILIFE:

- Greater trust and acceptance by the individual subscriber that their personal data will never be compromised

- The public will favour the idea that the charity will also try to 'include' the 'excluded'

- The joining together of Europe and the USA will create huge economies of scale and establish the international standard for Internet based lifelong learning

- It will be much easier to recruit top trustees and top non-executive directors

- The operating structure offers greater operating flexibility

- The operating structure offers faster response time

- The operating structure assures quicker time to market

- The operating structure assures lower overall project costs

- The seed capital will be provided to the charity and the charity itself will assume the public risk of developing the concept and implementing it – not the Super Trusts

- The Competence Network: The aim is to transform each participating country's economy

WHAT THE NORWEGIANS SAY

"There has been a global change of scene and the consequences of that change can be hard to comprehend. But, Norwegian trade and industry has to learn to live with that change. We have to transform our wealth creation. We will face special challenges as our oil revenues dry up and some restructuring is essential. We need to be at the cutting edge of knowledge, so that Norway competes on quality and innovation rather than price. Our enterprise must concentrate on research and development. The answer lies in new competencies – for every worker and every leader."

Grete Knudsen, Norwegian Minister for Trade and Industry

MAXILIFE 'Including the Excluded'

"Around 7 million adults in England are functionally illiterate – meaning that they read less well than the average 11 year old – ... More than half the workforce have only low qualifications and many millions have none at all... This lack of basic skills and qualifications among so many in the workforce constrains our ability to achieve full employment and to raise productivity and innovation in business."

"The success of industry and business in a knowledge driven economy will depend upon the skills, creativity and imagination of our people... ...Today's economy increasingly demands people with high level skills and the ability to adapt quickly to changing requirements. Lifelong learning and continuous reskilling are essential to enable people to cope with change, achieve security in their lives and benefit from growing prosperity".

MAXILIFE offers many potential contributions to employment and enterprise:

- Personalised Learning Accounts
  - An opportunity to incentivise everyone by making funding available for specific skills
  - An opportunity to guide and incentivise the unemployed
  - An opportunity to give value for all of life's previous experiences and skill acquisition activities

- Self sufficiency
  - Individuals will become more independent and less reliant on state handouts

- Unemployment
  - The risk of large numbers of people becoming de-skilled due to economic and technological change is substantially reduced
  - Finding a new job will become very fast and much less demanding therefore eliminating long periods of unemployment requiring unemployment benefits
  - Older employees will continue to be able to exercise their skills and experience

- The disadvantaged
  - It is expected that in due course the system will be able to identify a variety of learning difficulties. It is hoped that when the system will be used by Kindergarten/elementary school children, it will be possible to identify learning difficulties before the consequent social, study and employment opportunity damage has been done.
  - Dyslexics: it is estimated that some 15% of the population is affected to some extent by the disability. It is planned to develop specific software tools which will facilitate the maximisation of their life opportunity by every dyslexic individual.

- National Competitiveness
  - For any nation to keep afloat in the rough seas of globalisation, free trade and ever changing technology, it is necessary to find a way to upgrade the skills of the nation on an on-going basis and be able to employ the whole work force productively.

- Low Cost
  - The MAXILIFE system encourages the individual and companies to take care of the skilling needs. The government will be able to use the personalised learning accounts to offer direct incentives, but the whole concept is not dependent on it.

- Maximising National Resources
  - MAXILIFE is the only concept which allows a nation to offer equality of opportunity for all and subsequently to achieve a high level of international competitiveness and the maximising of the national potential.

- Enterprise and Innovation
  - MAXILIFE will regularly review the potential and readiness of individuals for self employment and enterprise. Therefore, at the appropriate times the software tool will not only draw the attention of the individual to their aptitudes but also guide them to the actual business opportunity including the franchising option.

- Pensions
  - MAXILIFE will regularly prompt the individual to consider their financial needs and ambitions both in the present and for the future. It is expected that subscribers will be well provided for their retirement through the Ten Pillars Programme, professional life long financial planning, as well as, informed and timely career choices.

- Quality of Life
  - It is quite certain that each active MAXILIFE subscriber is likely to feel much more in control of life and its opportunities. Over time, the overall satisfaction level from life will be substantially higher than for non-users.

- Safety Net
  - The MAXILIFE system allows governments and nations an effective way to distribute fast breaking economic and relevant technology information to each appropriate individual instantaneously and at low cost.

- National Health Services and other Benefits
  - The higher success rates achieved by the individual and the population as a whole will reduce the pressure on National Health Services, as well as, on Social Security expectations. In addition, it is likely that many of the subscribers will also take out complementary private medical insurance, thereby further reducing their need to call upon the National Health system and its resources

- It is Free to Subscribers
  - The idea is that the service to all subscribers will be free for life. Period.

- Self-Funding from Own Commercial Activities
  - MAXILIFE could fund itself, past the initial seed funding from the Super Trusts, from services provided to commercial firms. However, none of the income will be generated by sacrificing the interests of the individual subscriber.

- Charities and Trust
  The proposed charity concept will provide:
  - A way to offer the sponsoring Super Trusts a high degree of confidence that the funds will be properly employed
  - At a time when the public, unfortunately, does not trust government nor big business, it is more likely that the individual subscriber will be willing to trust their personal secrets to a system which is owned by educational charities and is totally dedicated to supporting each individual and the nation.

- Substantial surplus supporting the disadvantaged
  The charity structure is designed to deliver substantial on-going surpluses which will be used:
  - To maintain the MAXILIFE concept at the leading edge in its ability to support the needs of the individual subscriber
  - To provide funding for the support of the disadvantaged within national boundaries.
  - To provide funding to support the development of MAXILIFE within the Third World countries.

The relationship between pensions and Life-Long Learning

Considering that the relationship of each individual with his own fund management organisation i.e. the specific Super Trust, is expected to last up to 100 years (remembering the increasing average life expectancy) there is a substantial opportunity for the respective organisation to provide (mainly internet based) support services to the individual and the large community which is being created. There may even be an opportunity to establish parts or all of the ideas of MAXILIFE. It will take 18 years for the first 'subscribers' to graduate secondary education. The Super Trusts will have at least 10 years time to design MAXILIFE and plan how to exploit its potential.

Scholarships:

The Super Trusts (or a charity funded by them) could establish a series of scholarships in order to encourage their 'subscribers' to extend their academic, economic and creative potential. A great deal of attention could be given to ways which would encourage the young people from less privileged families to aim higher and reach higher in society. Each scholarship winner would also receive mentoring support to speed up the process of development and achievement (which will be publicised widely).

MAXILIFE LENDS A 'HELPING HAND' TO SERENDIPITY

The Ten Pillars Programme is offering society the opportunity to redesign and restructure the way pensions, careers, employment, social activity, charitable work etc. are handled once the individual crosses 'that' invisible age and mentality time frame. The defining time zone for each individual could be different and is subject to specific personal circumstances. But, in principle, it is economically unsustainable and extremely unproductive to consign so much talent to waste. Neither the individual nor society can afford to ignore the cost or value lost.

The Ten Pillars Charter

The Vision

A National Economy which benefits from constant GDP growth and stable prosperity where each individual has access to 'equal opportunity' so that with dedication s/he could maximise their own life potential and where each pensioner could expect to receive a living wage pension for the full duration of their retirement years.

The Mission

Create the conditions so that society could benefit from the rapid implementation of the Ten Pillars Programme by all the democratic nations of the world.

Activity Plan

Disseminate The Ten Pillars Programme details to the media, politicians, academics and the general public and explain to them the significant range of individual and societal benefits which a national programme will bring forth.

Charter Core Values

1. Every person (young or old) has the right to expect equal opportunity to invest in the development of their own personal potential to the full:
   - MAXILIFE will help guide each individual at every stage of their life and greatly facilitate the on-going process of lifelong learning and development

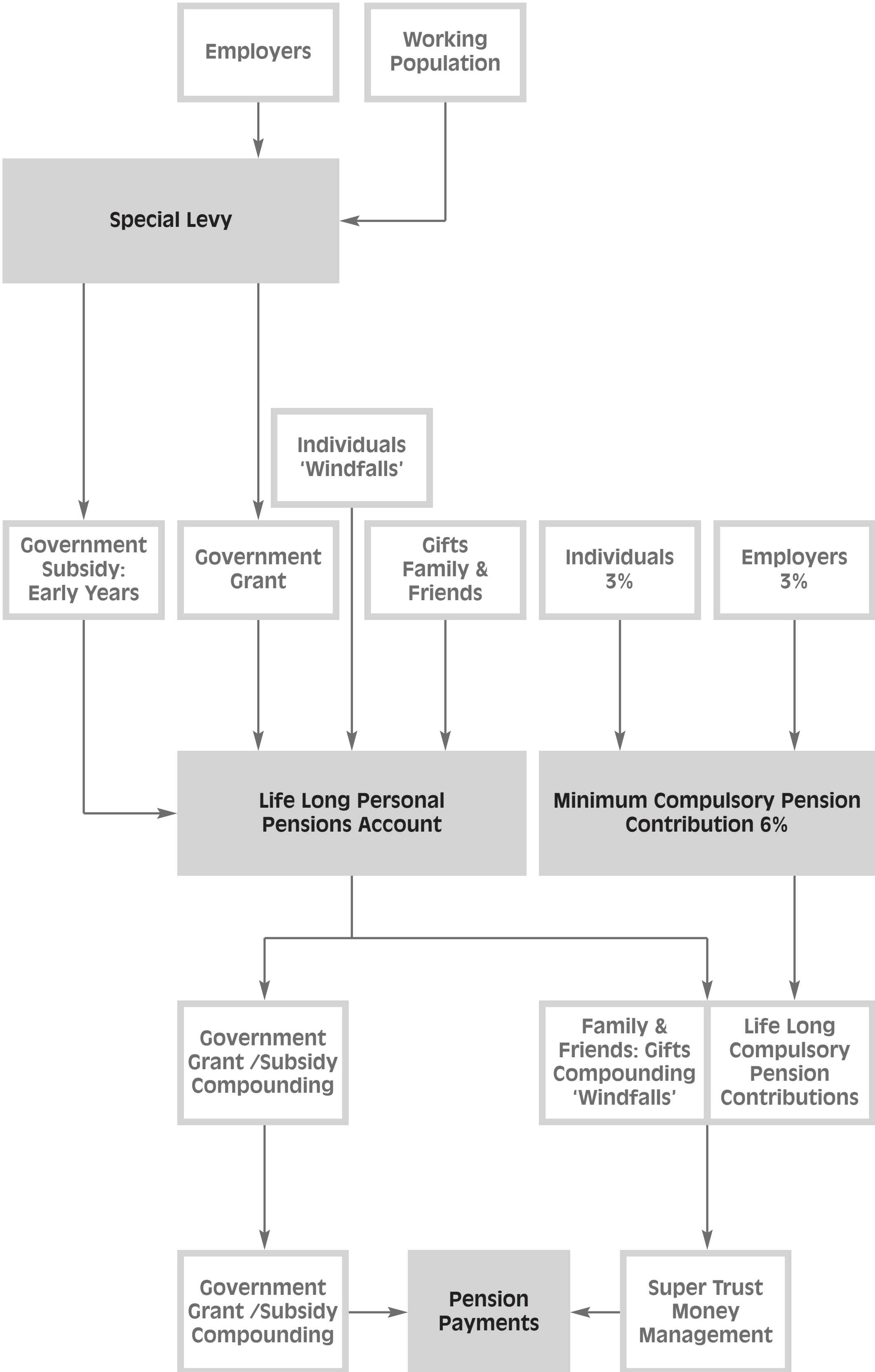
2. Every person has the right to receive a living wage pension for the full duration of their retirement years:
   - The Super Trusts will create great tangible new wealth through their long term investment activity and be able to pay excellent pensions to all

3. 'Big Government' is not an end in itself:
   - National and Local Government will intervene and assume responsibility only in areas where they can add real value
   - Taxation will be limited to raising the minimum amounts needed to add value where the other sectors of the economy/society cannot deliver it

4. Economic stability and constant economic growth are essential to the economic and social health of Nations:
   - It is the primary obligation of the State to harness the best economic methods available to achieve widespread prosperity through stable growth

5. Ethical principles are essential to the long term prosperity of the economy and therefore society:
   - The long term responsible investment philosophy and management activity of the Super Trusts will allow the constant employment of treasured universal principles of business and societal ethics

The Ten Pillars at a Glance



'Time is of the Essence'

It needs to be emphasized once again that the ability of most people to allocate large amounts from their on-going earnings and apply these towards pension accumulation is rather limited. Therefore, it is essential to contribute as early as possible and rely upon investment growth to create additional value.

MG

Example

Pension Value Age 70

The Eradication of Pensioner Poverty

(Based on 5% p.a. net compounded growth)

The 'Minimum Pension Option' (Low Pay)			**Value Age 70**
• Government Grant at Birth (Male)	£5000		£152,000
• First 7 years at work: (say from 18 to 24 years of age earning £12,500 p.a.)			
- Employee contribution	£2625		
- Employer contribution	£4375		
- Government subsidy	£7000	£14,000	£154,000
• Employee on £20,000 p.a. gross income for 45 years (age 25-70):			
- Employee contribution	£600 p.a.		
- Employer contributions	£1000 p.a.		
- Total contributions	£1600 p.a. x 45 years		£268,000
• Grand total (assuming no other contributions)			£574,000

Annual Pension Potential

- Assuming the individual retires at 70 years of age and has 20 years life expectancy the annual pension would be approximately £42,000 p.a. (based on 5% p.a. compounded growth on remaining balances)

- In this example the individual is assumed to have earned the same £20,000 p.a. pre-tax for 45 years. The suggested annual pension which the Ten Pillars Programme is expected to produce (as per the specific example) will deliver to the pensioner a gross annual income which is more than **twice** the gross annual income earned whilst at work

Example

Pension Value Age 70

The Eradication of Pensioner Poverty

(Based on 5% p.a. net compounded growth)

Pension Build-Up			Value Age 70
• Government Grant at Birth (Male)	£5000		£152,000
• First 7 years at work: (say from 18 to 24 years of age earning £20,000 p.a.)			
- Employee contribution	£4200		
- Employer contribution	£7000		
- Government subsidy	£2800	£14,000	£154,000
• Employee on £50,000 p.a. gross income for 45 years (age 25-70):			
- Employee contribution	£1500 p.a.		
- Employer contributions	£1500 p.a.		
- Total contributions	£3000 p.a. x 45 years		£502,000
• Grand total (assuming no other contributions)			£808,000

Annual Pension Potential

- Assuming the individual retires at 70 years of age and has 20 years life expectancy the annual pension would be approximately £59,000 p.a. (based on 5% p.a. compounded growth on remaining balances)

- In this example the individual is assumed to have earned the same £50,000 p.a. pre-tax for 45 years. The suggested annual pension which the Ten Pillars Programme is expected to produce (as per the specific example) will deliver to the pensioner a gross annual income which is greater than the gross annual income earned whilst at work (118% i.e. almost a fifth higher income p.a.)

The 'mother of all financial deals'

The Ten Pillars Programme

For every one pound granted at birth and allowed to grow and compound for 70 years (at 5% p.a. net growth) the individual pensioner will receive £2.22 in pension income each year for 20 years (£44.4 in total!)

Question:

Can society really afford to ignore such a magnificent financial opportunity?

Example:

£12,500 granted at birth will compound to £380,000 after 70 years and produce £27,758 p.a. in pension income for 20 years

(£27,758 : £12,500 = 2.222).

(It is assumed that remaining balances continue to earn 5% net p.a.).

“The Grim Reality”

“Lord Turner's Solution to the pension crisis will not work”
(says Liam Halligan)

“The demographic time bomb”

*“By 2050, the share of **over-80s** in the OECD will increase from about 2 percent today, to 10 percent. At the same time, falling western fertility guarantees that just as there are many more pensioners, there will be far fewer tax-paying workers to support them.”*

*“The impending **agequake** is so serious, then, and the resulting public liabilities so great, that the sovereign debt rating of some of the world’s most advanced economies, including ours, could soon be sub-investment grade – or ‘junk’. And even if it was politically possible to sharply raise taxes in response, that would slow future economic growth, making our age-related spending crunch even worse. Lord Turner knows all this. That’s why he proposed raising the age at which we start receiving publicly funded pensions – which, of course, saves money. The law has now been changed so the basic state pension age goes up incrementally, **reaching 68 by 2046**.”*

*“**The grim reality is that a staggering 12 million of us** (about half the workforce) are putting nothing aside for old age. At the epicentre of the pension-saving collapse are final-salary schemes, once the gold standard of UK pension provision. Just a decade ago, about half our workforce – including many skilled and semi-skilled manual workers – contributed to employer-based schemes that would eventually pay annual pensions of up to two-thirds of final salary. But the demographic squeeze and Labour’s disastrous 1997 pension tax raid have recently combined with competitive pressures on firms to close the vast majority of such schemes. Fewer than 10 percent of private sector workers now pay in to final-salary pensions. And, of those schemes still operating, two-thirds are closed to new members – so many existing contributors will eventually be short-changed.”*

*“**The demise** of our private final-salary schemes will have a serious impact on the economic stability of this country, to say nothing of the quality of life and dignity of millions of future UK pensioners.”*

*“There is much else to commend Turner’s plan. Contributions to Personal Accounts will be channelled into ‘pooled’ index-tracker funds, allowing millions of lower income earners to benefit from compounded returns. **Economies of scale** should also bring low administrative and asset management costs, resulting in higher pensions.”*

*“I predict that millions of workers on modest incomes – the group that so **desperately** need to save – will be tacitly ‘advised’ by their employers to un-enrol themselves from Turner’s scheme. This disastrous outcome seems to be as obvious as it is impossible to police.”*

*“Given the grave demographic dangers we face, UK citizens should also be **compelled** to invest in their future retirement.”*

"Ministers shy away from compulsion because they worry they'd be accused of imposing a tax. But with voters ***paying into their own individual accounts****, watching their money grow and with the government contributing too, compulsion has proved popular in those countries with the guts (and good sense) to adopt it."*

"The UK economy faces enormous demographic challenges. Enormous financial pressures are just a few years away. We must now grasp the nettle and rein in means-testing, so paving the way for compulsory pension saving. Nothing less radical will do."

Source: Extracted from an article written by Liam Halligan, Chief Economist at Prosperity Capital Management, published in the RSA Journal, Summer 2008 issue

The Good, the Bad and the Poor

"The growing 'pension apartheid' between the public and the private sector"

"Revealed: Private workers now pay more into gold-plated pensions for public sector workers than their own

Staff in the private sector are paying more money into public sector workers' pensions than they do into their own, research reveals today.

It means 80 per cent of the country's workers are being crippled by the gold-plated pensions of the 20 per cent in the public sector.

Figures from the respected Pensions Policy Institute show private sector workers contribute about £14billion a year into their pensions.

The PPI calculates the bill for the unfunded public sector pension schemes is around £21billion a year, including contributions made by workers whose salaries are also paid by the taxpayer.

These include the vast majority of the public sector – council workers, NHS, civil servants, teachers, the Armed Forces, policemen and firemen.

An 'unfunded' scheme is one in which money is not stored away every year into a special pensions pot, but the bill is simply met by the Government's tax take.

As a result, their pensions must be paid by everybody, from Britain's 31million taxpayers to the corporation tax paid by private sector companies.

Tom McPhail, head of pensions research at the independent financial advisers Hargreaves Lansdown, said: 'Every year, the gap between the gold-plated pension schemes of the privileged minority in the public sector and the rest of the population is growing wider.

'We urgently need a government that is willing to put a stop to this madness.'

He said it is 'a myth' that public sector workers deserve their generous pensions to make up for a career on such a poor salary.

Official figures show public sector workers typically earn around £3,000 a year more than those in the private sector.

Matthew Elliott, chief executive of the TaxPayers' Alliance, said: 'It is completely abhorrent that taxpayers are subsidising gold-plated public sector pensions by so much.

'The Government must raise the public sector retirement age to stop this inequality or they'll face a huge backlash from disgruntled private pension savers.'

Pensions in the public sector guarantee to pay a percentage of a worker's earnings on retirement.

Typically, a loyal worker will get two-thirds of their final salary, whatever the stock market has done.

By comparison, most private sector workers either have no pension, or a pension which offers not a single guarantee to make a decent payout."

Source: Mailonline, 17th October 2008, article by Becky Barrow

What Pension?

Procreation vis Pension Accumulation

Hypothesis

The concept of a pension is completely counter-evolutionary.

Rational

If the basis of evolutionary forces is the survival of a species, it must surely mean that the 'procreation' stage is the most meaningful one in the life of every individual. This means that expecting young people to save during their early years (child bearing years) for a pension to be paid during their old age is not 'reasonable behaviour' in evolutionary terms.

Conclusions

1. The only way to ensure young people will be fully committed to make regular monthly pension savings – starting with their very first job – will be through compulsory pension programs for all.

2. It is likely that the cost of compulsory pension contributions will impact negatively upon the resources available to parents to invest in their young.

The Ten Pillars Programme
The Benefits

The following pages constitute a fairly concise listing of some of the attributes and benefits which I expect society and the individual to experience following the successful implementation of the Ten Pillars Programme for the eradication of pensioner poverty.

Please note that the first 13 benefits and attributes listed here closely correspond, in my opinion, to the 13 recommendations made in 2007 by the Lord Turner Commission (UK) and as detailed within the Pension Commission's Final Report (p.41).

1. A programme which is simple to understand and to implement –

The Ten Pillars Programme although wide ranging in scope is composed of elements each of which should be easy to understand by the individual, the business community and Government. **In fact, many of the Ten Pillars proposals are already in daily use and recognised as successful and value enhancing.**

For example:

- Pension contributions by employee and employer which are invested for long term growth by specialist fund management organizations
- The value of compounded investment growth over the long term
- The recognition that starting pension investment early offers significant benefits
- The need to keep investment costs and charges to the minimum
- The importance of lifelong learning and the updating of skills to the retention of earning capabilities especially in a highly competitive global economy, etc. etc.

The implementation of the Ten Pillars Programme should be 'simple' but only once Government will have mustered the vision, decided to 'bite the bullet' and therefore enact legislation requiring the payment of The Special Levy. The Special Levy proposed would mean in the UK that some 15m households would pay every month (the money deducted by employers from salary) the 'princely' sum of £14.67. In addition, each employer would pay for each of their employees the monthly sum of £8.83 (which already includes the additional £1 per month to cover the costs of the Government First Job(s) Pension Subsidy; which is Pillar number Six).

In order to maximise the vast benefits which a fully fledged Ten Pillars Programme would usher in it would be necessary for local and national media to embrace the idea and through the positive and supportive exposure given to the immense long term economic transformation create a groundswell of need and support within the citizenship as a whole.

The Ten Pillars Programme was designed initially to eradicate pensioner poverty – which it will do given the time it needs to mature. However, it is proposed that within as little as 10-

20 years the amounts under investment by the Super Trusts and the knowledge by a whole new generation that each and every one of them is valued by society to the tune of tens of thousands of pounds (compounding within the Personal Pension Accounts which each will 'own' from birth) is likely to change 'attitudes' on a grand scale. No longer need anyone feel 'excluded' from the opportunity which society and the market place are offering to all those who are willing to assume responsibility for their own life's journey.

Every visionary Government will have within its grasp the wherewithal to capture the imagination of the Nation. Implementing the Ten Pillars Programme should be a 'doddle'. What is needed is a 'bunch' of politicians willing to commit themselves to the long term future of their fellow citizens and not simply to remain attached to the short term attractions of the ballot box.

Who knows? Maybe the memory of the first Government to adopt the Ten Pillars Programme 'as is' will be enshrined in the history books as the 'one' to be credited with taking humanity and world economy from the equivalent state of 'medicine' in the 19th Century to the high science medicine of the 21st Century. The doubling of the average life expectancy of each one of us during the 20th Century owes much to the progress of science and especially the science of medicine and pharmacology. Society now needs an equally powerful paradigm shift in the area of economics, especially the issues to do with the funding of pensions and the management of the long pension years.

2. A Programme which does not constitute an additional burden upon the 'public purse' i.e. Government finances –

The 'beauty' of the Ten Pillars compounding value is that the proposed transformation could be achieved without additional direct cost to the 'public purse'. There will be the annual cost of the Special Levy to the tune of £5.643 billion (UK). This funding will be paid by the nation's households and employers (the poorest 30% of households will be exempted from paying the additional tax). Because the pension benefits to be provided by the Ten Pillars will materialise in the distant future (assuming targeted retirement age of 70 years) Government will be expected to continue with 'business as usual' regarding current pension issues. Things could start changing when the first generation receiving the Government Grant at Birth will have reached working age i.e. some 17-20 years hence. However, in 20 years time Governments are likely to be struggling to meet pension commitments made to the grandparents and parents of the Ten Pillars Generations and unlikely to want to make any reductions in National Insurance Contributions (UK) until their finances will have improved.

The Ten Pillars Programme is based on the individual, the family and the usiness community assuming responsibility for the accumulation of pension funds. The impact upon Government finances may take place when a much larger group of employees and the self-employed, all contributing to their pension schemes under the Compulsory Minimum Pension Contributions legislation (The Fourth Pillar), will apply to receive the tax benefits which have been enjoyed for years by the 50% of the population (UK) which have been making contributions to their private pension schemes. 'Fortunately', for Government, the increased claims for tax relief will start filtering in after a time delay of some 20 years – the time required for the 'babies' to have grown up and reached working age.

3. A Programme which protects the poor –

The Ten Pillars Programme was designed to eradicate pensioner poverty. Therefore, by definition its main aim is to 'protect the poor' in the sense that because of the Programme there is going to be, for the first time in human history, an opportunity to imagine a period where there will not be within the confines of Nations people who are poor in their 'old age'.

The First Pillar funds (Government Grant at Birth) are expected, even on their own, to provide each Ten Pillars pensioner with a higher pension than the State Pension of present day – which in the UK is about £5000 p.a. at its basic format. It is true that since the accumulation of pension assets will be taking place only in the Personal Pension Accounts of children **born** in the country there is a substantial risk that individuals who have immigrated to the country later in life may not have the same level of pension accumulation. It is suggested, nevertheless, that in 70 years time the high volume of tax which Governments will receive from the vast amounts of pensions paid by the Super Trusts to their respective members should make it possible for Governments to enhance whatever pension receipts the immigrant individual is able to obtain from their own pension plan. We need to keep in mind that the Compulsory Minimum Pension Contributions by both employee and employer will apply to the whole work force (latest in 20 years time) and not only to the Ten Pillars Generations.

The Ten Pillars concept is assuming that every child born in the respective country is entitled to start accumulating pension assets whether s/he are members of a well off or poor family. Although on average a child born to affluent parents is much more likely to receive advantageous upbringing there is no absolute guarantee that the affluence of parents will trickle down some 70-90 years later to finance long retirement years. Therefore, the vision underpinning the Ten Pillars Programme is the desire to help each individual build up their own retirement capital fund.

The Special Levy funding which will be used to finance the Government Grant at Birth is estimated to cost every UK household (the poorest 30% of households – 6.5m – are exempted) some £176 p.a. or £14.7 per month. This additional financial cost is equivalent to a couple of bottles of wine every month or some three packets of cigarettes per month. Although this additional cost will not be a welcome on-going expense for many families who are already counting the pennies the benefits which most families especially the poorest members of society will gain will far outweigh the pain.

The First Pillar proposes a grant approach designed to correct existing economic realities which have perpetuated poverty within certain social groups. The First Pillar proposes a Grant at Birth of £5000 – to each child. However, in order to 'protect the poor' and the 'future poor' it also proposes granting an additional £2500 to every female child and additional £5000 to every poor child (it is estimated that 20% of the children born in the UK will be entitled to the extra grant of £5000 at birth). This means that a female child from a poor family will receive the maximum grant of £12,500 at birth. By age 70 the £12,500 is estimated to have produced on its own a capital amount of £375,000 (having benefited from 5% p.a. net compounded investment growth for 70 years).

4. A Programme which avoids using public money to support those already well provided for –

The Ten Pillars are designed to eliminate Government Pensions support to any member of the Ten Pillars Generations altogether i.e. all children born into the Ten Pillars Pension Programme. This means that any of the Ten Pillars Generation pensioners when they reach Pension Age is expected to have a sufficiently large capital amount in their Personal Pensions Account to produce a 'living wage' pension for life. I repeat, when any of the Ten Pillars Generations individual (a male) is ready to retire age 70 the minimum capital he should have accumulated is £150,000 (assuming 5% p.a. net compounded growth), even if he had never worked formally anywhere even one single day i.e. never added the Compulsory Minimum Pension Contributions nor received the Government First Job(s) Pension Subsidy. The £150,000 capital amount on its own would provide at 5% p.a. net compounded growth on remaining balances an annual pension of some £15,400 for 12 years or £11,000 p.a. for 20 years. A female child (not from a 'poor' family) will have £225,000 in her capital account age 70 and this is expected to produce some £16,400 p.a. for 20 years or £14,500 p.a. for 25 years of retirement. It is assumed that the 5% p.a. net compounded growth will be net of costs and inflation.

Only two of the Ten Pillars require external funding. These are the Government Grant at Birth and the Government First Job(s) Pension Subsidy supporting the lower paid young working individual. These two Pillars (the First and the Sixth) will be funded via the Special Levy. The Special Levy will be paid by all taxpaying households (with the poorest 30% exempted) and the various employers. Since the Special Levy will be a relatively low 'new tax' strictly speaking it will not be depleting existing Government resources.

It should be noted in the context of the UK Pension Commission's recommendation to 'avoid' using public money to support those already well provided for that at present every taxpaying individual in the UK is entitled by law to offset her/his pension contributions (with some limitation) against their income tax liabilities i.e. they can contribute the pension funds from pre-tax income. This means that individuals on excellent income have been wisely salting away significant amounts every month into their private pension plans. The Ten Pillars, especially the Compulsory Minimum Pension Contributions by both employee and employer, are going to increase substantially the numbers of individuals making monthly contributions to their pension schemes and applying to receive tax rebates/benefits from Government. Considering that at present it is likely that most of the 46% of the (UK) population who are not saving for their retirement are the less affluent in society their future tax rebates could not be said to be going to those who are already well provided for. In addition, the pension contributions which this group of new contributors will be making are likely to be, on average, substantially lower than that which is being contributed by the public at present.

5. A Programme which makes sure an adequate pension is available to all –

The Ten Pillars Programme was conceived as an all embracing national pension's concept. The Ten Pillars Personal Pension Account is established at birth for every single child born in the land, whose parents live there as formal residents. The Ten Pillars Programme incorporates each child equally within its folds although it has an inbuilt positive bias within the Government Grant at Birth (The First Pillar) towards the children of the poor (estimated at 20% of all births) and the female child. The extra grant money given at birth to the children of the poor and the female children aim to create a more level playing field at a minimal cost to the nation.

Taking all Ten Pillars together it is estimated that by age 70 (or earlier depending on health and/or overall level of lifelong contributions) each individual will be able to retire on a fairly generous pension; well above a 'basic living wage' pension definition. In fact, it is estimated that many individuals earning throughout their lives modest income would be able to retire on a pre-tax income higher than their lifelong earnings average or even the best level of earnings achieved. Moreover, since the Ten Pillars concept builds up an independent pension accumulation for each individual it is certain that two people living together or sharing the cost of living under one roof would be able to enjoy a very attractive combined income flow indeed.

There is little doubt in my mind that the proposed Ten Pillars Programme will create a new pensions paradigm. The Ten Pillars will create a new age where each individual (on average) could look forward towards some 20-25 years of retirement (70-90-95) with confidence that financially each one will be able to enjoy many golden years in good comfort.

6. A Programme which allows each individual the opportunity to achieve a good pension through low cost contributions levels –

A unique feature of the Ten Pillars Programme is the fact that **each** individual will be 'given' a capital sum at birth. The Government Grant money will be invested and reinvested professionally by the Super Trusts for 70 years giving it an opportunity to double 5 times (at 5% p.a. net compounded growth) and therefore grow 30 times by the retirement date. This phenomenal growth allows the initial capital amount to be quite modest in comparison to the results achieved 70 years later. Furthermore, after retirement the capital amount available in the individuals' Personal Pension Account will continue to be reinvested on 'average' for about 20 years longer. During these extended retirement years the annual pension paid (by the respective Super Trust) will be composed of both income earned and capital. In addition, each individual will be expected to enhance the initial capital grant amount and the growth component through Family Gifts at Birth and Throughout Life plus the Compulsory Minimum Pension Contributions (employee and employer) and much more. Therefore, at a cost level which should not constitute a burden upon the vast majority of the population each individual could look forward to a comfortable even generous pension for life.

It is also essential to note that the cost of providing these expected generous pensions would not constitute a burden to the respective Government either. The reason? The initial Government Grant at Birth will be funded by the Special Levy to be paid by the nation's households (the 30% poorest households to be exempted) and all employers on behalf of all their employees. The main additional cost burden to Government is likely to be the pension tax relief which will be due to the large percentage of the population (46% in the UK) which has never claimed it before because previously they did not belong to a pension scheme. It is possible that Governments would decide in the first instance to allow all pension contributors to claim tax relief at a rate which was below the maximum rate available at present. Such a decision may reduce the overall tax relief cost to Government but also increase the pension cost to individuals earning and saving at the top income levels. It should be noted that under the Ten Pillars Programme the extra tax relief cost will only materialize some 20 years after the Programme was launched.

The Ten Pillars Programme invites the immediate family (parents, grandparents and other siblings) to make at birth and throughout life, pension contributions to the benefit of each individual child. The level of such contributions could be quite modest, especially at birth, because of the capital growth component over time. The annual cost of the Special Levy (to both householders and employers) is proposed at a level which could be considered a low cost commitment for the majority of the target population.

The introduction of Compulsory Minimum Pension Contributions (set at a minimum level of 3% per employee and 3-5% per employer) could be said to constitute more of an ongoing financial burden. Nevertheless, setting a 3-5% level of minimum contributions is not considered a high level of pension contributions by any means. The only reason the Ten Pillars Programme is proposing such a low level of Compulsory Minimum Pension Contributions is because each individual born into a Ten Pillars Generation will also be benefiting from the capital accumulation of the Government Grant at Birth, the Government First Job(s) Pension Subsidy (if required) and hopefully Family Gifting at Birth and Throughout Life (as well as, the Compulsory Minimum Pension Contributions by both Employer and Employee as proposed).

7. A Pension Programme which is not dependent on 'means-testing' the beneficiaries' well being and therefore does not impact upon the dignity of pensioners and is also less costly to administer –

The Ten Pillars Programme assumes that every child born in the country to parents who are formally residents there is entitled to receive the basic Government Grant at Birth. The programme assumes that every child, including the children of affluent parents, is entitled to be enrolled in the Ten Pillars System in their own name. The Pension Account opened at birth will belong to the individual child and not the parents. Of course, children of affluent parents have good prospects or even excellent prospects to receive significant gifting at birth from their parents, grandparents, etc. On the other hand, the Ten Pillars approach compensates the children of the poor (estimated to be 20% of the children at birth or 150,000 children p.a. in the UK) and grants them double the amount granted to the male child i.e. £10,000 instead of £5,000. This is possibly where positive 'means-testing' could be said to take place. Furthermore, each female child (irrespective of family background) will receive an additional £2500 grant at birth (50% more than the basic grant) to compensate her for the need to take time off to rear children and to account for the longer average life expectancy of females. On average it could be said that females will experience about 30% more retirement years than their male counterparts. Upon retirement each individual will receive a pension based on the amount accumulated in their Personal Pension Account and their particular remaining life expectancy.

8. A Programme which avoids harming the existing pension system (in the UK of voluntary employer contributions) –

The Ten Pillars Programme as proposed would actually hasten the demise of the Defined Benefits Pension (Final Salary) which in the UK has been causing a great deal of difficulty and concern to both Employer and Employee in Private Sector organisations where it was still being practiced. In Fact, it is likely that by the time that the first of the Ten Pillars Generations will have joined the work force (some 19-20 years from the launch of the Ten Pillars Programme) that all the Private Sector Defined Benefits Pension Schemes will have just about run their course. As it is, most Private Sector Organisations have already stopped or are desperately trying to stop the offer of such pensions to their new employees. Public Sector (National and Local Government) employees are still being offered in the UK in 2008 Final Salary Pensions although Government must be well aware that the long term liability of such commitment is beyond its ability to discharge when 'pay-day' arrives.

The current UK pension system whereby some employers still assume unquantified long term pension liabilities, which put at risk not only the organisation itself but also the whole pension system (a great deal of whose capital assets are invested in the equity of such companies) and where other companies make discretionary voluntary pension contributions whilst many others make none, would be replaced by a universal, low cost, minimum compulsory employer and employee pension contributions regime. The Compulsory Minimum Pension Contributions to be made by both employee and employer would be added to the amounts already invested by Government at Birth, by Parents at Birth, by the Government First Job(s) Pensions Subsidy (if required), etc. It is assumed that both the Private and Public Sectors will be delighted to draw a line under the existing and unsafe Pension System and apply the new pension regime to all the Ten Pillars Generations employees when they arrive at the work place, in due course.

9. A Programme which allows women to build up successfully independent pension rights despite interrupted careers and caring responsibilities –

The Ten Pillars Programme guarantees every child, including the female child, the establishment of an independent Personal Pension Account at birth. The Ten Pillars offers the female child exactly the same opportunities and obligations as it accords the male child. This means that at any time the family of the female child or the female herself wishes to bolster her pension prospects by adding to the accumulating capital the facility is already in place to do so. The fact that the Super Trusts manage the growth of the funds without respite means that any amount contributed will immediately be put to work and compound ceaselessly, in the first instance until the retirement date.

It would be possible for Government to decide to contribute to the Personal Pension Account of the individual female fairly modest amounts any time the individual is off work and taking care of young children. However, the Government Grant at Birth for the average female (£7500) on its own is expected to compound to £225,000 by age 70. If we add to that other contributions say Family Contributions and Government First Job(s) Pension Subsidy, Governments may decide it would be unnecessary to do more. Please note that a female born to a poor family (20% of the children born each year in the UK – male and female) will receive £12,500 at birth in total which could grow to £375,000 by age 70 (assuming 5% p.a. net compounded growth).

10. A Plan which would limit the inequities created by the approach of the inherited UK system to women's pension rights –

As stated earlier (see point 9 above) the Ten Pillars Programme has been designed from inception to take into consideration the pension disadvantages which many children from poor families and many women experience under existing UK and other pension systems. An extra £2,500 Government Grant at Birth will be paid in the UK to some 363,000 female children p.a. (50% of the group) at an annual cost of some £908 million. The extra grant money is intended to recognize that on average the female life expectancy is as much as 10% higher than the male's (which could translate to 30% more retirement years). It is hoped that over time social attitudes and behaviour pattern would modify and that when a woman would give birth that family and friends would gift both child's and mother's respective pension accounts. A woman giving birth age 30 would still be expected to work some 35-40 years (depending when she decides to return to work – possibly working part-time from home at first!). Therefore, a gift to her pension account (age 30) could still double almost 3 times to retirement date and then continue to earn income for many years beyond. (A £1000 gift at age 30 could grow to some £8000 by age 72 – assuming 5% p.a. net compounded growth).

11. A Programme which allows the self-employed easy access to adequate low cost pension savings/pension accumulation –

The Ten Pillars Programme does not distinguish at birth between the children in any way, except by providing more initial capital grant to females and the children of the poor. Therefore, individuals who end up 20 years later as self-employed (whether high or low earners) will have had exactly the same opportunity to accumulate pension capital as the majority of the population who have chosen the route of paid employment. Each Self-Employed individual will be required by law to make the Compulsory Minimum Pension Contributions of **both** Employee and Employer i.e. at least 6-8% of gross salary (depending on the level of earnings). Although the 6-8% of gross salary is higher than the 3% minimum to be paid by employees the total should still be manageable for most self-employed individuals. The only reason the percentage could be kept at 8% or under of gross salary is due to the Government Grant at Birth and the compounding capital assets. Furthermore, it is proposed that the Government First Job(s) Pension Subsidy (if required) would apply to the self-employed too. In this instance it could be decided that the self-employed's own contribution would be capped at 6% of 'salary' and that the Government First Job(s) Pension Subsidy Endowment Fund would make up the difference needed to reach the minimum £2000 p.a. total pension contribution (paid for a duration of 7 years but not later than age 30).

12. A pension system which is affordable to all stakeholders in the face of rising longevity and a major uncertainty about the speed of that increase –

It is clear that some pension concepts which were considered practical propositions in the past are no longer so. The pension concept which is causing the greatest difficulty to those who assume the payment responsibility is the Defined Benefits (Final Salary) Pension Plan. Neither the Public Sector nor the Private Sector are able (nor should they be asked) to assume responsibility for unquantifiable long term large scale financial risks. As it is, in the UK most of the Private Sector employers have either exited the Defined Benefits Pension altogether or are no longer offering those benefits to their new employees. Nevertheless, the fact remains that average life expectancy is still increasing (as acknowledged by the UK Pension Commission) and there is great uncertainty about the pace and extent of that increase. Each additional year of life expectancy is said to "add between three and four percent to the liabilities" which Defined Benefits Pension Schemes face. Simply discontinuing Defined Benefits Pensions may remove the increasing financial risk from employers (whether Public or Private Sector Organisations) but will not address the desperate need to provide an adequate long term pension to the individual.

The Ten Pillars Programme was designed to address both of the issues discussed above. Firstly: The issue of being able to sustain the cost of providing every pensioner with a 'living wage' pension including the increasing on-going 'cost of living' which the elderly need to receive in order to maintain a decent standard of living and health care in old age.

Secondly: It is my personal view that only a pension system designed along the lines of the proposed Ten Pillars Programme, which starts energetic pension accumulation at birth, could be affordable and in fact would provide great benefits to the economy as a whole. At present the vast 'pension costs' and open ended liabilities are a threat to both the Public and Private Sectors and therefore to the economy and to the social and financial health of society. The proposed Ten Pillars Programme is expected to provide generous pensions for as long as old age extends and supply vast sums of money for productive investment.

The Ten Pillars Programme is not only affordable – it is a bargain at the price.

13. A Pension Programme which has the capacity to recognise but more importantly to address the inequities created by the different life expectancies of different socio-economic groups –

The Ten Pillars Programme understood from the outset that in order to be able to eradicate pensioner poverty in old age it would be necessary to recognise and try to address difficult socio-economic circumstances which affect the potential of young people to capitalise upon their personal capabilities. Unfortunately, it is a fact that children from poor families, on average, find it more difficult to escape the poverty trap which has engulfed their parents – for whatever reason. The Ten Pillars Programme also recognised that females often reach old age without an adequate pension; whether it is because of raising children or other causes. The Ten Pillars also wished to recognise the fact that females live on average longer than males (about 30% more retirement years) yet were allowed to retire earlier than males – on average.

The Ten Pillars Programme is proposing to address all these and other 'opportunity' issues by:

- Opening a Personal Pension Account for every child at Birth
- Granting a capital amount to every child at birth, allowing the capital to multiply some 30 times to age 70 (assuming 5% p.a. net compounded growth)
- Granting significant additional capital at birth to each female (50% of the basic grant)
- Doubling the basic Grant at Birth to the children of the poor (assuming they constitute 20% of the children born every year in the UK)
- Postponing formal retirement age to 70
- Providing via MAXILIFE Life Long Learning and work support opportunities (including mentoring networks) to all

The Ten Pillars Programme also recognises the financial difficulty which the 'public purse' is experiencing and is confident about its ability through the Special Levy and especially by starting the pension accumulation process at birth not only to eradicate pensioner poverty but also to achieve 'this miracle' without real financial pain.

And Much More...

Additional Benefits to Government, the Economy, Society and the Individual to be provided by the Ten Pillars Programme which the UK Pension Commission did not list:

14. Ready Investment Capital –

It is quite clear that the funds provided by the Government Grant at Birth (the Special Levy), on their own, under the expert management of the Super Trusts and enjoying say 5% p.a. net compounded growth, will start having, within only 10-20 years, major positive impact upon the economic prospects of the nation.

The Government Grant at Birth funding plus the Family Gifting at Birth funds will be available for **productive** long term investment. Some of the investments are likely to be directed towards the acquisition of quality infrastructure assets. Other funds are likely to find their way into other assets which could yield consistent quality income. At the same time, the funds realised by investors selling the assets which will have been taken over by the Super Trusts are likely to be available as investment capital for other useful projects. Overall, the Super Trusts are destined to create new quality employment opportunities and inject a renewed spirit of serious and responsible enterprise into the economy. The Super Trusts are likely to invest wisely, prudently and for the long term both locally and globally. No longer will the economy and society need to worry about irresponsible and speculative short term investments on an incomprehensible and disastrous scale – as experienced in 2007/2008, for example.

15. Pensions Tax Relief Costs –

Governments normally offer tax relief benefits to individuals and companies when they are making contributions to a Government approved pension scheme. The UK Government claims that at the present time (2006) tax relief on pension contributions costs the 'public purse' about £20 billion p.a. (The £20 billion p.a. cost is associated with pension contributions made by about 50% of the UK population. The other half is assumed at present to be absent from either Private or Public Pension Schemes).

UK Government must be well aware that the Pension's Commission recommendation (2007) that a Stakeholder Pension Scheme be introduced to incorporate and offer pension cover to every individual not yet included in a pension scheme is certain to increase the overall costs of pension tax relief to Government. Since about 50% of the UK population could theoretically become involved with the proposed new Stakeholders Pension Scheme the cost of pension tax relief to Government could double. In fact, the additional cost is unlikely to double because the 50% of the population which is not investing in a pension at present is the 'poorer half' of the nation and their income and potential pension contributions levels are lower. Nevertheless, the impact of everyone joining the proposed Stakeholders Pension Scheme (assuming people will not trigger the opt-out option) could cost the UK Government say some £10 billion p.a. Therefore, the total annual pension tax relief cost in the UK could be as much as £30 billion p.a.

The Ten Pillars Programme is prepared to accept a proposition to the effect that the Special Levy payments to be made by both Householders and Employers be disqualified for tax relief purposes. The £100 p.a. per employee to be paid by employers even without tax relief should not constitute a heavy burden upon most organisations. The same applies to the £176 p.a. to be paid by the 15m UK householders (the 30% poorest having been exempted).

The big transformation in tax relief costs to Government could materialise once the Ten Pillars Programme matures. It is true that because of the Compulsory Minimum Pension Contributions legislation (to be paid by both employee and employer) substantial amounts of pension contributions would be collected and invested annually with the Super Trusts. However, because of the existence of the benefits of the Ten Pillars Programme Governments might decide to restrict (if they find it financially necessary) full tax relief to the basic tax rate or possibly to a certain absolute amount. The impact of such approach is likely to reduce the overall tax relief cost burden to Government but still not discourage the average citizen to contribute at the very least the pension level required by the Compulsory Minimum Pension Contributions legislation. Restricting tax relief is likely to reduce the amounts invested in the pension accounts of the more affluent in society.

The most cost effective investment from the point of tax relief cost to Government must be the Government Grant at Birth because the initial Grant money is likely to double five times and to multiply 30 times by age 70. In second position is the Government First Job(s) Pension Subsidy for the low earners (paid for a maximum of 7 years but not later than age 30) since the funds will have at least 40 years to grow and compound (doubling some three times).

16. The Business Sector: Companies will no longer be exposed to unquantified future pension obligations –

From the outset it was clear that to eradicate pensioner poverty the present day employer provided Defined Benefits Pension (Final Salary) concept would have to be phased out. The Ten Pillars Programme does not endorse the idea that a Company can or should be expected to assume the unquantified and simply unquantifiable pension liabilities of a retired employee irrespective of the potential cost. I personally cannot think of any other area in business where the shareholders, Government, employees or the public would allow management to assume open ended long term substantial risks. Defined Benefits Pensions are unquantified risks which extend over 25-30 years and in some cases even longer.

The proposed Ten Pillars Programme is a very inexpensive way for the Business Sector to 'buy itself out' of the Defined Benefits nightmare. The cost? A payment of £100 p.a. Special Levy per employee and the commitment to pay the Employers Compulsory Minimum Pension Contributions which in respect of many employees will not be more than 3% of gross salary p.a. For the lower paid employee it could cost the employer 5% of gross salary. I believe these combined costs offer the Business Sector excellent value indeed.

17. Pensions and Pensioners are no longer exposed to the risk of employer (or past employer(s)) failing –

Every employee currently enrolled in a Defined Benefits (Final Salary) pension plan, as well as, past employees already enjoying their retirement income must live in fear that their respective employer(s) may be unable to continue to plough the vast contribution deficit amounts which are demanded by the trustees of the pension scheme in order to eradicate actuarial shortfalls. Due to the constantly increasing average life expectancy and fluctuating investment returns (say over a period of a year) trustees armed with current actuarial reports find themselves in recurring confrontation with the management of the company. It is the employer who is expected to plug the vast asset and probably income holes which have appeared in their pension scheme. Sometimes Governments (UK) offer themselves as a backup guarantor to all Defined Benefits schemes. This position by Government in itself is seen by me as another economic folly. Not only is Government already extremely stretched to meet its own unquantified Defined Benefits pension scheme costs (to Public Sector employees) now it is also 'willing' to assume the unquantified costs of all failing schemes. There is no question that Governments will not be able, assuming the current trend in pension costs and deficits is destined to continue, to deliver upon the totality of their vast financial commitments.

Furthermore, since a substantial percentage of the assets held by every Pension Scheme is invested in the equity of companies (mostly public companies whose shares are traded on a recognised Stock Exchange) unquantified Defined Benefit Pension liabilities are indirectly threatening the viability of every company and therefore also the viability of every Pension Scheme in the Land.

The reason Defined Benefit Schemes are so risky for the Business Sector is due to the fact that constantly increasing average life expectancy is making it very difficult to calculate precisely enough the value of the monthly pension contributions which employee and employer have to make in order to meet pension costs due in 20-30 years time or even later. Subsequently, as the expected number of retirement years increase so does the cost of past and present on-going contributions. Unfortunately, very few employees age 30-50 can make monthly contributions of a size which after 15-35 years of growth could deliver the pension levels needed to avoid the poverty trap in old age; let alone catch up with past deficits.

The Ten Pillars Programme was designed to relieve all stakeholders i.e. employee, employer, Government and society from the constant threat of pensioner poverty. The Ten Pillars entrust real cash (not IOU's) to the Super Trusts which will manage the growing mountain of real assets for up to 100 years. Companies, under the Ten Pillars Programme, discharge their pension responsibilities monthly by paying their share of the Special Levy and the Compulsory Minimum Pension Contributions. Governments will no longer need to pay a Universal pension to all. On the contrary, Government will receive a huge volume of income when the pensions paid by the Ten Pillars are taxed at source. And last but not least the working employee will not need to fear that literally a day before retirement the Pension Fund set up by the employer (or by a past employer) may collapse under the weight of its pension liabilities. When a pension trust 'fails' all existing assets are 'hypothecated' to pay liabilities already crystallised to retired employees, leaving the other contributors without a pension altogether. Retired employees need no longer fear that their pension trust will have run out of money or because of increasing life expectancy the trustees find themselves obliged to reduce on-going benefits.

The Super Trusts are expected to be able to generate, over their extended life time excellent and reliable returns on funds invested and therefore make sure that the reliability of pension payments will have increased many folds. (Returns are estimated at 5% p.a. net compounded growth).

18. Governments will no longer be expected to provide a basic pension income to all –

The Ten Pillars Programme was determined from the start to remove the high risks associated with a pension plan which is funded by Governments from current income or the risks associated with a pension plan underwritten by an individual business – which is itself subject to the vagaries of the market place. The Ten Pillars Programme combination of the Government Grant at Birth and the Government First Job(s) Pension Subsidy (as managed for 50-70 years to retirement age by the Super Trusts), plus the value of the Compulsory Minimum Pension Contributions made by both employee and employer eliminate the need for Government to be involved in the pension business altogether. Such a position should be a great relief to Government, the citizenship and the Business Sector alike.

19. Governments will be less likely to be called upon to provide supplementary benefits to a substantial percentage of the pensioner population –

The Ten Pillars Programme was designed to deliver on-going pension income, which, on average, is expected to be far more generous than any of the supplementary benefits which Governments have been able to provide to needy pensioners. It is estimated that a substantial proportion of the population will in fact receive in retirement higher gross incomes than the salary which they earned when at work.

The Ten Pillars Programme will incorporate every child born in the country which means that in retirement each individual pensioner will have his/her own retirement fund – reflecting the Government Grant at Birth and the funds granted by the other Pillars and the respective pension contributions made throughout life. This also means that two people living together and sharing the costs of running a household will have **double** the income. It is clear to me that for many pensioners the long retirement years will be an opportunity to enjoy life and to take advantage of their 'new found' prosperity. The availability of higher income by many pensioners will also open up business opportunities for the economy i.e. the supply of specialized goods and services to quite a large and 'very' affluent group of people. The affluent retiree is also likely to buy at own cost additional private health care thereby reducing pressure on government provided health services.

20. Greater Political and Social Stability in the Country –

By eradicating pensioner poverty and providing a new source for the funding of pensions it is expected that the Ten Pillars Programme will have helped avoid the development of a great deal of economic, social and political unrest and instability in every nation where the Programme has been implemented. It is inconceivable to me that a democratic political system could continue to function successfully over the long term if ever growing numbers of pensioners would be expected to live in abject or even in relative poverty during their long retirement years. The pensioner population today (and more so in the future) is well informed and able to organise itself into powerful political pressure groups. The population in Western democracies has been led by Politicians and the Trade Unions to believe that a 'living wage' pension in retirement – however long the retirement years are going to be – is what they have been promised and therefore are entitled to receive. The population at large believes that an access-free good health system and reliable retirement income is the minimum that society owes them. At the same time, the working population which will be expected – under the present pension system – to pay for the long retirement years awaiting most pensioners is likely to resent this burden. One of the reasons for the likely conflict between the generations is the Generations Ratio. Unfortunately, over the past years the Generations Ratio, which represents the number of working people paying the cost of one pensioner, has been rapidly reducing. This means in some European countries one working person per one pensioner. It is difficult to understand how politicians and the business sector have not sounded the alarm bells already. Sadly, the falling Generations Ratio is going to be with us for many years irrespective of the launch of the Ten Pillars. Nevertheless, it is believed that the launch of the Ten Pillars Programme will appease the public and convince it to be more patient and willing to sustain the pain of the transition period. The public will be able to appreciate that as the Ten Pillars Programme matures neither Government nor Business and therefore the working individual will need to pay for the armies of pensioners (other than by providing funding for the Ten Pillars Programme itself).

21. Governments will no longer be under political and social pressure to act as 'guarantor of last resort' to all pension schemes, as presently in the UK –

In 2007/8 the UK Government found itself under pressure to become in effect the 'guarantor' to each and every pension scheme. The issue became a very hot political debating focus when a number of pension schemes failed and the employees found themselves unable to realise what they had believed they were entitled to receive by way of pension security. The humanitarian aspect is very clear. As far as the individual was concerned without the pension income which they had expected to receive via the pension operated by the respective employer(s) their prospects for a modicum of comfort during the long retirement years (which they are told are getting longer and longer) have disappeared. In some instances all the funds and assets available within the Pension Trust are 'reserved' by the trustees to the exclusive benefit of their existing body of pensioners. Such action may take place when the actuaries and trustees come to the conclusion that the available assets are insufficient to 'assume' additional liabilities. A decision to 'hypothecate' all the assets to the benefit of existing pensioners could mean that a person who had made pension contributions over many years and was literally just 'one day short' of retirement would be left 'high and dry' i.e. without a company pension. Whilst the tragedy of the individual 'would be pensioner' could be heart breaking, the assumption that Governments could step in and in effect 're-float' all defunct pension schemes, especially Defined Benefits pension commitments, is simply unsustainable. A blank commitment by a Government to insure all 'Defined Benefits' pension schemes is like writing another 'blank cheque' for unquantified and unsustainable amounts.

The Ten Pillars Programme is neither a Defined Benefits nor a Final Salary Pension Scheme. Altogether, in its structure it is much closer to the Defined Contributions family of pension ideas. The big difference is that The Ten Pillars Programme makes sure that the Personal Pension Account of each individual is 'stocked up' with some capital from birth. This fairly moderate initial pension contribution (the Government Grant at Birth) will have a staggering 70 years to compound before retirement and another 20-25 years to grow before death. The initial 70 years of growth are more than three times the length of time most pension contributions (on average) can hope to be given in order to achieve growth. For example, a 35 years difference in terms of compounding investment growth is a very long time. For instance; the £5000 basic Government Grant at Birth is expected to grow 30 times to age 70 (assuming 5% p.a. net compounded investment growth) and become £150,000. An amount allowed to grow 35 years is expected to grow about 6 times and become 'only' some £30,000.

The Ten Pillars Programme is a diversified concept because it is based on a number of contribution sources which we are hoping will be available to the majority of the population. The more diversified contribution base should make the Ten Pillars Programme more stable and more secure for the individual. These additional sources include the Government First Job(s) Pension Subsidy (if required). Considering that all the pension contributions and investments made by the individual and for the individual will be managed prudently for the very long term by the respective Super Trusts the likelihood that the individual will find himself/herself holding a 'pension bucket' which has sprung a substantial leak is much less likely than at the present time. **The current situation where the Defined Benefits Scheme finds itself ravaged by short term stock market fluctuations or long term profitability problems engulfing the employer who is the one responsible for keeping the pension assets at the required viability level will no longer exist.**

It is clear to me that the likelihood of a Super Trust finding itself unable to provide good quality pensions past a retirement age of 70 is very remote. Therefore, it is highly unlikely that any Government of the day (70 years from launch) would be at risk regarding the need to step in as the 'Guarantor of Last Resort'.

22. Universal Participation in an Extremely worthwhile Pension System –

The Ten Pillars Programme was designed to harness a small part of the resources of the Nation (any nation) in order to create for the very first time a truly Universal Pension System. The Ten Pillars Programme will make sure that every child born in the land (born to parents who are living formally in the country) will have their own Personal Pension Account For Life set up and stocked with the basic Government Grant at Birth before they leave the maternity hospital. Female children will also have received the additional Government grant available to females, whilst the further grant to the children of the poor may take a few days longer to process, depending on whether all the appropriate 'verification' paperwork will have been completed before the mother entered the hospital.

The moment the first Ten Pillars Pension Accounts will have been opened and the first Government Grant at Birth payments will have been made, it is more than likely that a new era of pension awareness will have been born. Each parent and each immediate family will be aware of this miracle taking place i.e. where a substantial amount of money will have been gifted to the child. All the talk about these granted funds and the funds to be provided by the family and their journey of growth over 70 years will be seen as a minor or even a major miracle. The prospect that the amounts will grow 30 times over the life of the baby to ensure a secure retirement is bound to create a major change of orientation regarding pensions and pension contributions. All of a sudden pensioners' security and pensioners' comfort will be seen within reach.

It is almost certain that much of the population in each country where the Ten Pillars Programme will have been launched would utter words expressing deep regret that they too can not be beneficiaries of such an excellent pension programme. It is my view that the launch of the Ten Pillars Programme is very likely to increase pension participation by the population as a whole. People will become more likely to seek to place their contributions with responsible, prudent private firms with an excellent reputation and successful track record of pension money management than at the present time.

23. A maturing Ten Pillars Programme is bound to provide Government(s) with a major income tax opportunity –

The Ten Pillars Programme requires some 70 years to reach its destination. It would take some 70 years before the first Ten Pillars Generation reaches retirement age. It is true that some of the first Ten Pillars Generation will retire earlier than the 70 years bench mark date due to ill health whilst others would be able (should they wish to) 'retire early' because the amounts which have accumulated in their Personal Pension Accounts are large enough for the actuary to approve the viability of the request. Considering the extended (and possibly further extending) life expectancy it is likely that with the support of MAXILIFE (the Tenth Pillar) most of the first Ten Pillars Generation would choose not to retire before age 70.

Once the Programme matures and people start to retire it is clear that, if our estimates of the annual pensions which the population would be entitled to receive are correct this flow of income offers the Government(s) of the time a vast income opportunity.

It is difficult to try and estimate the level of actual Government(s) need for tax income in 70 plus years into the future. Nevertheless, I am willing to predict that a successful Ten Pillars Programme, which of course is substantially dependent on the quality of investment success achieved by the Super Trusts, would mean 'smaller government' overall. The hypothesis offered here is that the Super Trusts, over time, will take over certain parts of the economy which have been the responsibility of Governments during the 20th Century e.g. infrastructure projects, healthcare, education and, of course, pensions. On the assumption that I am correct in predicting 'smaller government' it is also likely that the tax income which Governments will require in the future would be proportionally lower. Therefore, it is likely that the level of income tax to be applied to the pensions paid to the Ten Pillars Generations retirees could not be said to be onerous. On the contrary, it is quite possible that the whole tax system could be redesigned and taxes reduced overall to account for the diminished levels of Central and Local Government economic participation and reduced need to provide social support activity within the community.

24. Government 'Windfall' income: 'Recovering' the Government Grant at Birth and Government First Job(s) Pension Subsidy moneys –

The Ten Pillars Programme is proposing that the Personal Pension Account of each individual be composed of two sub accounts:

1. The Government Contributions Sub-Account –

    - Into this sub-account the Government will pay the Government Grant at Birth and Government First Job(s) Pension Subsidy moneys (when required)
    - No other funds could (or should) be paid into this sub-account **except** additional funds which might be paid in the future by Government(s) for the purpose of further pension accumulation

2. The Personal Contributions Sub-Account –

    - Into this sub-account all the other funds which are contributed by the individual and family for pension purposes should be paid. For example:

        - Family granting at birth
        - Family granting throughout life

- Friends gifting at birth and throughout life
- Employee Compulsory Minimum Pension
- Contributions
- Employer Compulsory Minimum Pension Contributions
- Windfall contributions by the individual
- etc.

The Ten Pillars Programme has proposed that the funds granted by Government would be restricted to the payment of pensions to the individual only as long as s/he retain formal residency in the country which has granted the money in the first place. Furthermore, it is proposed that should the individual die before retirement and/or before the moneys in the Government sub-account have been exhausted that the balance of funds (which includes the compounded growth over the years) would be 'returned' to Government. This proposed 'rule' was designed in order to 'protect' the economy of the country which has paid the funds into the accounts. Of course, future Governments could relax this 'rule' should it be decided that it was superfluous. One exception to this rule could be the agreement by Government that the whole accumulated amount or part of the amount could be paid to the benefit of the children of the deceased who were still say under 18 years of age or who were still in full time education. A further option would be to allow these funds to be paid to the Government Sub-Account of the pension schemes of members of the family of the deceased.

It is assumed that once the Ten Pillars Programme will have reached some 50 years of age (from launch) that every additional year could generate fairly significant amounts of capital which could either be 're-paid' to Government or to the family of the deceased as described above.

For the avoidance of doubt it should be made clear that **all** the funds available in the Personal Sub-Account of the individual could and should be paid and distributed only according to specific instructions left by the individual (last will and testimony). Of course, the amounts paid would be taxed at the rate appropriate at the time with the exception, if agreed by Government, upon the re-direction of pension assets to the Personal Pension Accounts of family and/or friends.

25. Parents and Grandparents confident about the financial future of their offspring –

The Ten Pillars Programme incorporates the expectation that parents, grandparents and various siblings, as well as, friends would wish to support the future financial security of the new born child. The Programme expects Governments to allow family and possibly friends to donate existing pension assets (subject to the approval of an actuary and a certain limit upon the proposed sums) rather than cash in order to extract the maximum benefit for all from the process.

It is being proposed that the knowledge that the child(ren) has sufficient assets compounding in both the Government Contributions and the Personal Contributions sub – accounts would produce two major benefits:

- Parents and grandparents would feel secure in the knowledge that their offspring are likely to enjoy comfortable retirement years

- Parents and grandparents would feel comfortable spending their disposable income on their own life and pension needs. The Ten Pillars Programme would allow families to take greater responsibility for the well being of siblings without having to diminish their own life and comfort prospects

26. Buying a flat or house for personal occupation –

It is suggested under the Ten Pillars Programme that the individual might be allowed to borrow a certain amount of cash from his/her Personal Contributions sub-account in order to buy the Freehold of a flat/house or a long leasehold of same. The terms and conditions for such borrowing will be very strict and will include the paying of commercial interest rates and the offering of adequate security. Although the Programme is favourable in principle to the idea of offering assistance to the individual the long term objective remains the same i.e. to produce the maximum level of capital accumulation by retirement date in order to allow the provision of excellent on-going pension payments for life.

The Ten Pillars Programme might be able to offer the individual a certain sum of money by way of a loan in order to provide the down payment deposit required (or part of it). However, the individual would need to prove that their track record of assuming financial commitments has been without blemish and that their level of income can comfortably support the combined loan.

27. Early Retirement is an option –

Although the Ten Pillars Programme was designed to encourage capital growth to age 70 and beyond it has also allowed for an early retirement option – subject to the specific circumstances of each individual:

- Health issues – Whilst average life expectancy is rising steadily many individuals find themselves with serious illness quite early in life. People will discover at some point that their specific life expectancy is not likely to approach the average age let alone extend into the distant horizon of time.

  The Ten Pillars Programme is determined to see each individual in a position to benefit from a certain span of retirement time – if this was their choice. Therefore, any individual judged by a panel to be entitled to early retirement will be allowed to do so as long as the amounts which have accumulated in the individual's respective pension accounts are sufficient. This means the retirement time chosen would have to reflect the amount of monthly pension which could be paid for the duration (the life expectancy) and beyond (in case the individual survives beyond the 'allocated life time').

  For the first time in pension history every individual in society could demand to have some paid retirement time. The reason for this new 'opportunity' derives from the fact that the Ten Pillars Programme is not an 'insurance pension plan' which incorporates into its structure and pricing the sad fact that a certain significant percentage of contributors will not reach the proscribed retirement age (and therefore receive no pension payments at all).

- Fancy an early retirement? –

  Planning a retirement age for all at 70 years of age does not necessarily mean that the Ten Pillars Programme cannot operate more flexibly when circumstances allow it to be so. Considering that every year in the UK alone some 725,000 children would be joining the Programme it is certain that there will be many individuals who'll wish to retire fully before reaching age 70 whilst others may wish to change career direction yet simultaneously to start drawing partial pensions.

  The basis for the decision by the Supervisory Panel and the respective Super Trust will be very simple i.e. what is the estimated life expectancy of the individual and what is the total amount of accumulated capital within the Personal Pension Accounts of the individual. As long as an actuary will approve the proposed retirement plan there would be no reason to refuse to allow the individual to plot their future as they see fit. Furthermore, the knowledge that a large amount of accumulating capital is the key to early retirement and other attractive retirement options may encourage the population at large to follow the recommendations of the Ten Pillars Programme to contribute early in life in order to reduce their overall pension costs and increase their ultimate pensions benefits. A truly winning combination.

28. No more Age Discrimination of Employees –

The need to formally extend the working life of the individual or in other words the need to postpone the official retirement date (by a significant percentage) in order to delay the onset of the payment of pensions impelled Governments to strengthen their Age Discrimination Legislation. It is quite clear that an individual unable to keep up with the demands of the job can become a costly burden to the employer. Alternatively, providing the individual with an early retirement option means increased cost to the respective pension scheme; which is expected to support the individual for life.

The present pension crisis creates great pressure on all stakeholders. The individual may recognise their decreasing capacity to provide value at the work place yet cannot acknowledge the problem because s/he needs either to retain the job or alternatively to be paid a good pension. The employer, especially the one still providing a Defined Benefit pension, finds himself continuing to pay a full salary to an under-performing employee (which is difficult in competitive times) or facing the prospect of offering early retirement but having to pick up the cost of starting the payment of a lifelong pension years early. The present pension situation often means that the financial burden of looking after the aging population is transferred onto the shoulders of the Business Sector. Not only is the employer expected to assume the unquantified liabilities of lifelong pension payments; in addition the employer is expected to keep the employee at work until the time comes when the individual employee decides to call it a day. The cost to the Business Sector of keeping unproductive work force could spell disaster. It is not being suggested that all older employees are unproductive. Very often an older employee is able to apply the value of experience where the younger employee would apply much energy. Yet, there is significant risk at present that the Business Sector will be further damaged by having to keep employing older staff past the age in which they themselves, in normal circumstances, would have preferred to retire.

The Ten Pillars Programme will make it very simple and productive for every employee to update and upgrade their skills with the support of MAXILIFE (the Tenth Pillar). The employee could choose to retire at any time when the assets already accumulated in their Personal Pension Accounts could provide an adequate pension for life. In addition, an individual with a lower life expectancy (due to illness – for example) would be able to retire early because the assets in the Personal Account would already be sufficient to pay the pension for the projected shorter life period.

The Ten Pillars Programme provides an excellent and important service to the individual and the nation by removing the need for both the individual and the employer (and the Trade Unions) to confront each other over the appropriate retirement age. In fact, it is hoped that with the input of MAXILIFE a large percentage of the aging population would remain in some form of employment. For example; part time employment, a different career direction, charity work, mentoring, etc.

29. Women gain greater independence –

In the UK a research carried out by Scottish Widows in 2007 has discovered that about 50% of women have made no independent pension arrangements for themselves and are expected to be dependent upon the pension income of their husband/partner. It goes without saying that in many instances couples where only one partner receives a pension (other than the basic State Pension) find the increasing costs of meeting their wants, even modest needs, quite challenging. Moreover, a female which is financially wholly dependent on her partner could experience emotional challenges as well as financial deprivation.

The Ten Pillars Programme provides an independent, personal pension account to all children from birth. This means every female will already have a pension account for life before she was even able to open her eyes. Each female will receive a supplementary Government Grant at Birth of £2500 which is 50% higher than the basic grant of £5000. Should the individual female also be from a poorer family she will receive another £5000 grant making a grand total of £12,500.

A female from a poorer family receiving £12,500 Government Grant at Birth is likely already to be much better off than the average female expecting to receive the State Pension plus some supplementary benefits. Each female, however, will be entitled to receive also the Government First Job(s) Pension Subsidy (if required) and if she joins the work force will be expected to benefit from both the employee and employer Compulsory Minimum Pension Contributions.

Under the Ten Pillars Programme no female should ever again need find herself in a position where she has no option but to remain in a difficult relationship just because she cannot afford to set up a household on her own. The Ten Pillars Programme is likely not only to eradicate pensioner poverty but also to liberate many people, often females, from living a life of lies with the wrong partner for financial reasons.

30. Parents and Grandparents no longer likely to become a financial burden upon their children and grandchildren –

The Ten Pillars Programme was designed to provide a pension to every individual. Even the pension to be derived from the initial Government Grant at Birth is projected to pay on its own a better pension than the State Pension which is available at present in the UK. Since the vast majority of the population is expected to engage in productive employment throughout their life, the additional amounts contributed and compounding in each Personal Pension Accounts are likely to be substantially greater than the Government Grant at Birth despite their expected vast growth (30 times to age 70 – at 5% p.a. net compounded growth).

The accumulation of substantial pension assets and consequently the receipt of an excellent pension by **each** individual should mean that each individual will become totally financially self sufficient in their retirement years. Two people sharing household costs are likely to have substantial purchasing power and therefore should not need to deplete the financial resources available to their children and/or grandchildren. In fact, it is very likely that grandparents and parents would have surplus cash and pension assets with which to provide financial assistance to their children, grandchildren and other siblings.

31. The Cost of funding the Special Levy is insignificant compared to the projected benefits –

The Special Levy, which is expected to be paid by each household (with the 30% poorest exempted) and the respective employers, is projected to raise in the UK example about £5.643 billion p.a. at launch. This amount also includes the cost of the Government First Job(s) Pension Subsidy. It means that if we assume the UK's annual GDP (Gross Domestic Product) is some £1300 billion the proposed Special Levy constitutes less than 0.5% p.a. of this sum. 0.5% p.a. of the total value of the economic activity of a country could not be considered a heavy burden to the national economy. It is clear that extracting an additional 0.5% of GDP could not damage the economy. On the contrary, it could be said that extracting £5.643 billion p.a. all of which would immediately be used for long term productive investment could provide a positive impetus to the economy.

It is worthwhile repeating here that the Special Levy will cost each participating household in the UK not more than £176.1 p.a. (less than £15 per month or £3.4 per week) and £100 p.a. per employee (£8.33 per month or £1.92 per week) to respective employers. Hardly an unacceptable burden. In return the Ten Pillars Programme is expected to create a pensions paradigm shift which would eliminate the pensions nightmare which is threatening the economic and social stability of the world.

32. A cultural change which would go beyond the issue of providing a 'living wage pension' to all –

The Ten Pillars Programme is destined to produce a 'culture change' in all participating societies, well before the time when the first beneficiaries could be expected to start drawing their pension benefits.

The reasons are as follows:

1. The launch of the Special Levy must be pre-empted by a major public relations campaign to explain the dire state of the current pension systems and the way the Ten Pillars Programme is expected to solve them in the long term. The energetic dissemination of background information and the fact that every household will be participating (with the 30% poorest exempted from payment) and every employer will be contributing should raise awareness and highlight the value of making pension provisions a priority during the transition years. It is expected that the launch of the Ten Pillars Programme will raise national pension participation levels (in the UK) from about 50% of the population to about 60% – possibly even higher.

2. The Ten Pillars Programme was designed to incorporate every individual, irrespective of her/his 'social class' or financial well being, in its comprehensive pension plan. This should mean greater degree of social participation and inclusion. No longer need a significant percentage of the population (young and old) feel neglected, excluded or even abused. In the future every child would be endowed from birth with significant funds whilst the children of the poor provided with double the basic amount. In addition, female children would be given an extra amount, equal to 50% of the basic grant, in order to compensate them for child care and significantly longer average life expectancy.

3. The fact that the Special Levy which is used to fund the Government Grant at Birth and the Government First Job(s) Pension Subsidy is provided by every household and every employer should clearly indicate to every child and every parent that the whole nation is wishing them 'all the best' on their emerging 'life journey'. The Ten Pillars Programme

was designed to harness the desire of the whole Nation to achieve a better future for itself and the aspiration that through the Special Levy it could make the paradigm shift which is so desperately needed, a practical proposition. Although it will require new 'tax' legislation by Governments the true success of the Special Levy will only come when every citizen will feel proud that s/he were participating in what was probably the greatest economic and social re-engineering scheme the world has ever seen. Each individual would be entitled to be proud that with their modest Special Levy contribution they were making history.

4. The funds collected by the Special Levy would be invested without delay with the respective Super Trust. Each year in the UK some 725,000 children will become investors in 'their' Super Trust. It is proposed that every 3 years a new Super Trust be created. This means that by the end of year 3 the Super Trust will have some 2,175,000 individual 'investors'. For the next 100 years or so the respective Super Trust will invest and reinvest the original funds and the income generated in order to maximise the benefits i.e. pensions, which it would pay each individual when they retire. Each individual will be able to follow the performance of his/her respective Super Trust including information regarding which companies it owned and the added value which each was generating.

It is expected that in the long term the assets owned by the Super Trusts and the prudent way they were managed would create a more stable and less speculative economy. The solid, long term investment policy of the Super Trusts could be expected to reduce the boom and bust cycles which the modern world economy has been experiencing. The boom and bust cycles are costly in terms of asset utilisation and the maximisation of investment value. The boom and bust cycles are notorious when related to the protection of the value of pensions and the damage which they inflict upon the business sector which funds the pensions.

5. The Ten Pillars Programme is providing an accessible way for grandparents, parents and other family members to take greater responsibility for the long term well being of their children and close relatives. Unfortunately, the last 20 years have seen a continuing decline, some would say 'disintegration', in the level of interaction and responsibility which is being practiced within families. The Ten Pillars Programme is proposing the creation of a Family Trust Structure which would facilitate the maximisation of the process of Wealth Creation within families and therefore by the Nation. As proposed by the Ten Pillars Programme the cost to the family of making a pension contribution at birth would be affordable and yet the value created to the benefit of the individual and possibly the wider family could be enormous. It is possible that the Ten Pillars Programme would succeed in reversing the trend and revitalise the important role which family harmony and cooperation could play in the life of the individual and society.

6. The Tenth Pillar, or the MAXILIFE Pillar, was designed to provide a cost free internet based comprehensive system for the upgrading and updating of skills. Through Life Long Learning, Work Based Learning, Networking and Mentoring it is hoped that MAXILIFE will succeed in adding value to the life of each individual and therefore to the overall economic and social success of the Nation. Through MAXILIFE and its on-going support it should be possible to help the individual choose career opportunities which are capable of providing more job satisfaction, more income and a longer productive life span. With the help of MAXILIFE it should be possible for the healthy individual to remain in full time productive employment to age 70 and well beyond. Productive employment means the creation of true value for the customer, the employer and the Nation. Productive employment means employers need no longer worry about the risk of having to employ armies of unproductive aged employees who simply can't afford to retire. Productive part time employment past the age of 70 means an even greater pension income when the individual finally decides to draw the full benefits which the accumulating funds were able to deliver.

Life Long Learning made easier by MAXILIFE could reduce the costly burden of the long term unemployed. Life Long Learning made easy will enhance the Quality of Life of millions of people. MAXILIFE could be said to have the potential to 'double' the value of the years enjoyed by all without increasing the cost of doubling the average life expectancy even further. Life is not only judged by the number of years lived – it is evaluated by the quality of experience and enjoyment gained during those long years.

7. Considering that the Generations Ratio (the numbers of working people divided by the number of pensioners – and the structurally unemployed) is falling rapidly it is highly likely that during the coming years tensions between tax payers and the retired will surface. The level of tension will be directly related to the additional financial burden which the working people will be expected to assume in order to pay a descent 'living wage' to each pensioner. The longer the pensioner is expected to live the higher will be the total cost which society will need to discharge including increased health and care costs.

The Ten Pillars Programme will not only remove the cost, from the public purse, of having to pay a pension for 20-30 years to vast armies of pensioners, it will also create a large number of new jobs to be funded directly by the excellent pensions received by the pensioners. The culture change which the Ten Pillars Programme could bring about will be dramatic. Instead of the young people resenting the cost of having to provide pensions many young people would find excellent career opportunities supporting the needs of millions of well off even affluent pensioners.

8. The Ten Pillars Programme has the potential to enhance and very much accelerate the current trend whereby older people especially the affluent retired individual no longer need feel 'useless' and therefore isolated from society. The combination of an excellent independent pension for life and the support of MAXILIFE which would facilitate Life Long Learning, Social Networking and the search for job opportunities including charitable work, should empower the middle aged individual and the pensioner. The Ten Pillars Generations will grow up in a world where access to accurate information concerning the maximisation of life's potential was immediate and cost free. The MAXILIFE System would accompany the individual starting in childhood and continue to accumulate relevant information in order to better understand the actual needs and potential of each person. The MAXILIFE System would bolster the confidence of the individual and subsequently allow him/her to be more bold even courageous in attempting to achieve more ambitious targets in life. Overall, the Ten Pillars Programme would result in a further increase to the life span of the individual but at the same time ensuring that it was a more interesting and much more productive journey.

9. Over time the success of the Ten Pillars Programme is likely to focus the role of Governments upon those areas where they have the most power to add value and release both national and local Governments from many of the functions which they have been engaged in but not always to the best effect.

The Ten Pillars Programme will help shift all economic activity away from Governments and into the hands of the private and the charitable sectors. It has become quite clear that central planning and Government Ownership of economic activity leads to a great deal of wasted resources. The global economy is in constant movement and the processes of Government are too slow to allow a nationalised industry to compete effectively. The Ten Pillars Programme and the constant prudent investment by the

Super Trusts are going to make it possible for Governments to concentrate on fewer areas of responsibility. Even these reduced areas of responsibility are likely to change over time to reflect changing local and global needs. The end result, however, which we can anticipate is that both local and national Government would employ less people, get involved in less economic and social activity and require less of the GDP of the Nation i.e. the people will be taxed less and better able to decide how and where they will be able to spend their hard earned income.

MAXILIFE

MAXILIFE is a concept designed to support the individual better navigate their life journey **including** the years leading to retirement and the retirement years themselves.

MAXILIFE may try to help the individual adjust in retirement years to the sharp change in personal status. All too often retirees are experiencing a painful drop in the level of respect which other people – including members of the family – are paying to them.

It is possible that we should take a page from the book of Buddha namely that at some stage in life the Buddha is advising the individual to divest himself of the burning ambitions of early life to gain financial well being and turn instead towards sincere exercise of humility and public service.

A Live Interview

The Ten Pillars & A Financial Journalist
(renowned for her forthright style)

Journalist: Nice to meet you. Many thanks for agreeing to face my forthright style of interviewing. Let's see if you are a 'toothless' or a 'fighting' tiger'!

Ten Pillars: Nice to make your acquaintance. I have seen your forthright interviews on TV, but, am convinced the Pensions' issue is so important that it justifies jumping into the 'lion's den.' Have you had the opportunity to read the book?

Journalist: Yes. I always do my homework. Please allow me to comment that the book is very detailed. It is also clear that you have tried your best to offer solutions and explanations. Nevertheless, it would help our readers if you could list quickly the main issues which the Ten Pillars was designed to address and how it intends to resolve the future.

The Main Issues

The Challenges facing our Society – at this very time

- Greater average life expectancy is translating into a retirement period which could last on average 20-25 years. (The average retirement period has doubled during the past 30-35 years)

- Paying a 'living-wage' pension for 20-25 years plus the provision of quality health care and old age infirmity care constitutes an enormous cost burden upon the economy

- The high cost of financing 'Defined Benefits/Final Salary' pensions is damaging the viability and competitiveness of each respective enterprise The ever increasing cost of funding generous public employees pensions is bound to raise the tax burden of the working population

- Demographic changes are reducing the Generations Ratio which in turn means the increasing tax burden will have to be divided and paid by a much smaller number of active tax payers (i.e. much higher tax cost per individual)

- Governments' finance pension costs from current taxation and not from previously accumulated Endowment Funds. This means greater volatility in terms of national economic activity and taxation levels

- Private pensions are invested largely in various stock markets. Increasing stock market volatility and therefore regular 'wiping out' of values increase employer pension cost contributions, as well as, increase the risk factor for past, present and future pensioners

- Most people are unable (and unwilling) to allocate significant sums to their pension accumulation at any age. Unfortunately, large numbers of citizens do not have pension plans of any sort and will be totally dependent upon State 'handouts'(i.e. pension and income support payments)

- It is imperative for society to understand and acknowledge that it is impossible for probably over 95% of the population to establish a 'living wage' pension which will be paid for any length of time purely from capital contributions. The only way to build up a worthwhile pension is to take advantage of the power of long term consistent compounded investment growth

- The rapid rise in the vast wealth of Sovereign Wealth Funds is a potential threat to the ability of Western pension funds to accumulate quality pension assets (and to the 'stable' management of Western economies)

The Ten Pillars Programme: Restructuring the Future

- Investing a capital amount at birth to the benefit of **each** child born in the country (to parents who reside formally therein)

- Investing an additional capital amount to the benefit of the children of the poor (estimated at 20% of the children born every year) and all females (because of their longer average retirement period)

- The capital invested will be managed by a new investment vehicle called the Super Trust which will be responsible for investing and growing the funds for some 100 years – (and charging very low management fees)

- The capital provided at birth will be invested over 70-90-100 years and is estimated to compound and grow some 44 times overall (4400%). This includes the retirement period itself (the average life time growth is estimated at 5% p.a. net compounded growth)

- All pensions are personal. Retirement date will be chosen by the individual subject to own life expectancy and own capital accumulation

- A new low level tax called the Special Levy will generate the funds necessary to provide the Government Grant at Birth and the Government First Job (s) Pension Subsidy (when required)

- Compulsory Minimum Pension Contributions to be paid by both employer and employee to be introduced

- Parents and Grandparents to be encouraged to donate pension assets (tax free) to children and other siblings (total cost to grandparents fairly low)

- MAXILIFE – an internet based tool – will facilitate mass work based learning, as well as, mass life long learning, skills updating, career development, charity participation, etc. The end result will be a much more productive and resilient individual and society

- Past the pensions 'transition period' neither the Private Sector nor Government (National and local) will need to assume pensions liabilities beyond the monthly Compulsory Minimum Pension Contributions. (Defined Benefits/Final Salary pensions will be phased out during the transition period. Government and Business no longer need carry vast unquantified pension liabilities)

- The average 'Ten Pillars Pensioner' could expect to receive a monthly pension equal or greater to own life time earnings. This means future pensioners will provide substantial tax income to Governments plus inject a great deal of purchasing power into the local economy

- The 'Super Trusts' will not invest in the Stock Exchange in the traditional pension investment mode. The Super Trusts will aim to acquire quality companies and manage them for long term growth, profits and cash flow generation. All cash generated will immediately be reinvested to maximise prudent long term overall growth (much like Warren Buffett)

- Over time the prudent and relentless investment activity undertaken by the Super Trusts is expected to change and improve the economy of the nation (s). Namely; better trained workforce, stable employment, better career prospects, value enhancing employment for the over 60's, reduced speculation, less volatile economic cycles, etc

- Future pensioners will be able to sleep with confidence in the knowledge that `their good pensions will be paid to their very last day

- The Stock Exchange of the Future is more likely to be populated by companies in their earlier stages of growth and development. Once a company was able to demonstrate its ability to create value and good cash flow it would be acquired by one of the Super Trusts (or one of the Sovereign Wealth Funds)

- It is clear that the Super Trust concept is not only necessary in order to eradicate pensioner poverty and to help build a much more sturdy, stable and consistently profitable economy – it is needed in order for the countries of the 'West' to try and create their own Wealth Funds in order to compete with the tremendous acquisition powers of the Sovereign Wealth Funds

- It is expected that the existence of the national Super Trusts will encourage the emergence of a much more enterprising economy. It is likely that substantial numbers of individuals will become serial entrepreneurs – people who develop great expertise at creating new successful enterprises which meet the acquisition criteria of the very 'hungry' Super Trusts. (All these new businesses will essentially be solid, value enhancing, profitable and cash generating enterprises)

- Each Super Trust will be wholly owned directly by the 'children' in whose name the Special Levy Grants were deposited. Therefore, the development of the Super Trust concept will inevitably lead to the rise of an asset owning democracy on a scale never seen before

Journalist: Many thanks. This is a very impressive list. I am sure our readers will appreciate it. However, as you know yourself from the hard work which you have invested in the project the subject matter under discussion is most challenging. How about giving us another list – this time try to make it even more concise; say 5 points only in each category! Please try for the sake of greater clarity

Ten Pillars: I'll try. But, by definition it should be clear that a great deal of important material will have to be omitted. Here goes:

The Challenges

- 20-25 years long average retirement period is great for mankind but requires vast resources if we are to keep each pensioner well, fit and provided for to their very last day

- Business Sector and Government finances and their range of activity are currently badly damaged by the high and unquantifiable liabilities of 'Defined Benefits/Final Salary' pension commitments

- Changing demographics (especially in Europe) means reduced numbers of workers compared to pensioners – this fact on its own translates into a higher tax burden upon each worker (who in turn has reduced means to invest in his/her own pension scheme)

- The pension system employed by the Western world (some 120 years old) is no longer able to deliver a reasonable level of pension income because of the much longer average retirement years, the increasing number of pensioners, the reducing number of workers (compared to pensioners) and the unsustainable volatility of the stock markets – where much of the pension savings are invested

- The need to develop and implement without further delay a new pensions and therefore economic paradigm has become even more urgent because of the rapid rise of the Sovereign Wealth Funds with their vast capacity to acquire Western economic assets. The Sovereign Wealth Funds have the potential to manage vital Western economic assets in political and not in purely economic decision making fashion

Reshaping the Future: "A Sounder Economic System"

- Since it is impossible for Business and over 95% of the population to achieve a 'living wage' pension from capital contributions alone it is imperative to invest early in the life of the individual and rely on the 'magical' value enhancing powers of very long term compounded growth

- The most effective and most productive (least cost) way to ensure pension build up is for society to invest a modest capital amount at **birth** to the benefit of every child born; additional capital amounts should be invested to the benefit of the children of the poorest families (estimated at 20% of the total) and all females in order to address disabling inequities

- A new system of investment vehicles (the Super Trusts) will be created in order to invest for up to 100 years the accumulated pension funds – these funds will be invested by the Super Trusts in the direct ownership of value assets and not through the stock exchange. A 'mere' 5% p.a. average net compounded investment growth is expected to increase the value of assets invested at birth by 4400% (44 times) over the life of the individual (say over 90 years)

- Compulsory Minimum Pension Contribution legislation will ensure that every individual (employed and self employed) will be taking responsibility for some of their own pension accumulation, as well as, define the exact cost formula assumed by employers. No longer will employers (Business Sector or Government) be expected to assume vast unquantified and unquantifiable pension cost commitments

- A new internet tool named MAXILIFE will be created in order to support and enrich the 'life time journey' of each individual. The voluntary employment of MAXILIFE will have the power to guide the individual to superior job and career prospects through Life

Long Learning, improved social interaction and greater contribution to society at large via a vast range of life enhancing community betterment opportunities

- The combined impact of the relentless quality direct investment in real assets and the very long term prudent management of same by the Super Trusts and the life enhancing activity of MAXILIFE with the reduced burden of pension costs upon Government and the Business Sector and the excellent retirement pensions paid for some 20-25 years to every pensioner are bound to create a new economic paradigm – unique in its ability to offer greater opportunity to all

- Last but definitely not least; the Super Trusts with their great ability to nurture companies and employees for the very long term will be able to provide a much needed 'counter balance' or 'counter force' to the ever growing economic and political power of the Sovereign Wealth Funds. These Government/Sovereign owned/controlled vehicles are destined to control global economic activity and power in an unprecedented way (in modern times). The Super Trusts on the other hand will be the ultimate representation of Democratic Capitalism; each Super Trust will be wholly owned directly by the generation(s) of the individuals (children) in whose name the Grant Moneys have been deposited

Journalist: Many thanks. This list is certain to help focus the mind and thoughts of our readers.

Ten Pillars: You are very kind. However, unless the ideas of our alternative programme for pensions accumulation gets a wide airing the opportunity which it offers may be missed. The pension issue has the potential to damage badly the economic and social fabric of the Developed Countries.

Journalist: It is difficult to argue with the proposition that at present pension liabilities seem to exceed assets but is the pension situation really as serious as you are stating. Are you not exaggerating the scope of the problem in order to make the point?

Ten Pillars: I wish there was a way to describe the situation as merely difficult or just dramatic. Unfortunately, words used by people like Warren Buffett are much more severe. For example:

"Because the fuse on this time bomb is long, politicians flinch from inflicting tax pain, given that problems will only become apparent long after those officials have departed"

Warren Buffett is also scathing about people who are in charge of pension investments "... Those helpers – bless their hearts – will certainly encourage their clients in this belief. But, as a class, the helper – aided group must be below average".

The Washington Post has written in May 2008 "Accounting tactics conceal a crisis for Public Workers... The funds that pay pensions and health benefits to police officers, teachers, and millions of other public employees across the country are facing a shortfall that could soon run into Trillions of dollars".

Practically every day, in newspapers, TV, and other media there are references to the pension problems. And yet, not one person has come up with a new plan which might provide us with hope because the new concept has the potential to create a real change at some point in time. Therefore, we believe that the Ten Pillars Programme is unique.

Journalist: What about Lord Turner and his UK Pension Commission? After all, the Commission worked for two years on the issue and produced impressive written output.

Ten Pillars: It so happens I had the pleasure to know Adair Turner. He is a learned and very clever professional. I have a very high regard for him. Yet, the Pensions Commission under his guidance did not propose a new pensions' paradigm. I believe the brief which the Pensions Commission received from Government was very specific and required them to deal with the problem in a way which will meet with the financial situation of the present time. In fact, the Pensions' Commission did propose delaying retirement date, suggested ways to increase the level of pension savings by the individual and recommended an increase in the percentage of the GDP which Government would be expected to allocate to the payment of pensions. In addition, the Pensions' Commission highlighted the need to address the pension inequities as they relate to women and the poor. However, what the Pensions' Commission did not do was to propose a new system which would have the potential to solve the pensions issue once and for all.

The Ten Pillars Programme is using the pensions challenge to create a new economic environment which would benefit the whole community and not only the pensioners. I am pleased to declare that the Ten Pillars Programme has checked and verified that its proposition meets **all** the detailed recommendations (13 in number) which the Pensions' Commission has made in its Final Report (for reference see pages 102-110).

Journalist: For the avoidance of doubt could you please deal with the issue of timing. Am I correct to say that the Ten Pillars Programme was not designed to solve the pension problems which are challenging the economy and society at this time.

Ten Pillars: The short answer is, unfortunately, yes you are correct. Please let me explain. The immediate issue of pensions is substantially about money. Therefore, the cost of paying a pension to any individual has to be financed either from investment income, from capital, from current corporate earnings which are used to cover pensions costs or pension shortfalls – or from taxes. The Lord Turner Pensions Commission has proposed the three ways which are available to us if we want to increase pensioner's income: Delay retirement age – this reduces the number of years the individual will be able to draw a pension and allow investment income (if there are real investments) to further accumulate and compound: Increase the overall cost to the nation i.e. divert a bigger slice of the 'national cake' to cover the cost of pensions. This extra resource (to be financed by taxing the working population) might not by itself necessarily raise the value of pensions because if the total number of pensioners rises (longer average life expectancy) a greater allocation would be divided amongst more beneficiaries: The final recommendation was to make the individual aware that s/he too would have to make sacrifices and instead of 'consuming' cash they should invest it in a pension plan. The Pensions Commission two first suggestions could impact the current pension situation right away. The third i.e. increased individual pension savings can only come into fruition in the distant future when new investments will have had the time needed to grow and compound.

Journalist: So what is so special about the Ten Pillars?

Ten Pillars: The philosophy which underpins the Ten Pillars Programme is that if we believe that somehow the world will survive the current pension (and energy and financial) crisis we should use – no must use – a new pensions paradigm to make sure our world will never need to go through the same pain again. It is that simple.

It is clear to me that the current pensions' crisis will remain with us for quite a while. Our great leaders have been too busy with either their politics or with their annual bonus to heed the signs of imminent pensions collapse. At the same time, I am hopeful even confident that the mere fact that the Ten Pillars Programme was being established and implemented would have a number of very positive contributions to make upon the pensions scene:

1. The vision of the Ten Pillars and the knowledge that in the distant future new generations will be better looked after in their old age may just make it easier for the public to deal with the current pain. The Ten Pillars Programme will be the 'light at the end of the pensions' tunnel' which society so desperately needs

2. After 10-15-20 years from launch, the Super Trusts – investing the new pensions moneys – would start having a very positive impact upon the economy. This impact might make the funding of the current pensions a little easier. I welcome input from organisations with modelling and computer skills and ask them to run the numbers to check at what point in time Super Trusts investments could start making a significant difference to the national economy as a whole

Journalist: What will be so different about the Super Trusts' investment approach? There is a very big and experienced investment community out there!

Ten Pillars: It will not come to you as a surprise if I suggested that the reputation of the financial services community has been badly tarnished – not least because of the various 2007-2008 fiascos. In fact, some of the financial services people have been responsible for a number of cataclysmic financial events during the past 20 years or so. The Super Trusts will not be managed by the same people – nor will their policy of investment growth be anything like the 'fire works' concept which we have become familiar with. The 'role model' for the Super Trusts is Mr. Warren Buffett. This gentleman has demonstrated that with knowledge, professionalism, integrity, modesty, patience and a long term approach it is possible to harvest excellent and consistent returns on investment.

The Super Trusts will aim to own businesses outright and manage them for profits and cash flow. The whole Ten Pillars Programme will try to stay away – as much as possible – from the fluctuations of the stock exchange. The managers of the Super Trusts will not receive astronomic bonuses nor will they be allowed to undermine pensioners' value by granting themselves costly 'share options'.

The rate of return used by way of illustration and minimum target by the Ten Pillars Programme is 5% p.a. net compounded growth. The 'Sage of Omaha' in an open letter to his investors (titled "The Grim and the Gruesome") states as follows:

*"The average holdings of **bonds and cash** for all pension funds is about 28% and on these assets returns can be expected to be no more than 5%".*

As far as I am concerned 5% p.a. compounded return net of costs and inflation would be sufficient for the Ten Pillars Programme to fulfil its vision – and improve our destiny. The examples we show in the book indicate that on 5% p.a. net compounded growth the Ten Pillars Programme can deliver a true pensions' paradigm shift.

The most important element to keep in mind is that the Ten Pillars Programme was designed to deliver to each individual a 'living wage' pension for a good number of years. The majority of the working population will retire at 70 and most will be able to expect to live another 20-25 years. I believe the Ten Pillars will be able to deliver the goods.

Journalist: What about people who will not have the average life expectancy. What about them?

Ten Pillars: For the first time in 'pension history' every individual will be able to look forward to a period of paid 'pension'. In the past, only the more affluent could have arranged to have a private pension plan which was designed specifically for the respective individual. In real life most people (including Public Sector Employees) are part of a pension plan which prices the contributions on the basis that a specific percentage of the group members will not reach pension age. The meaning of this is not difficult to understand. A significant number of people will have contributed throughout their working life but in effect will die before reaching pension age. This **'insurance pool principle'** pension is an excellent format in making pension contributions more affordable. But, it also means that not everyone gets value for money. In effect, when the time comes when each individual will be able to receive a good medical estimate of their life expectancy the 'insurance pool' pension may cease to function altogether. Why? Because the people with shorter than average life expectancy will refuse to participate and contribute to the respective pension scheme. The pension pool will be left only with the individuals with a longer life expectancy. These people in turn may not be able by themselves to make the total contributions required – unless they all agreed to continue to work well beyond the average retirement age.

The Ten Pillars Programme on the contrary would be able to allow each individual to seek to retire at a time and place convenient to them. The only question will be whether the capital which has compounded in the specific pension accounts of the individual will be able to provide a 'living wage' pension for the number of years which the **specific individual** will be expected to live past his/her chosen retirement date/age.

Journalist: From your book it is clear that you are 'dead against' Defined Benefits/Final Salary pensions although you agree that this pension format is good for employees

Ten Pillars: Well, I am not sure I can fully agree with this statement. It is true that a Defined Benefits pension can provide a good pension income for the individual employee. But, the question is whether the fund which is paying the pension will remain fully funded during the long years of pension payment. What would happen to the aged pensioner if the pension fund became depleted and could not pay the expected amount in full? Or at all? A Pension Fund which is funded by a Private Sector Organisation could run out of assets if the past employer goes out of business at some point in time. Equally, Local and National Governments are making generous pension commitments which they are already struggling to meet. In the future it is a possibility that Public Sector employees will have to accept in effect lower benefits than those promised. It must be recognised by all that Governments pay pensions from current tax income. When the Generations Ratio deteriorates the collection of enough tax income to meet inflated Government budgets becomes more challenging. It is also quite likely that the young will resent having to pay generous pensions to public employees when they are aware that their own future pensions are certain to be inferior in benefits.

It is my opinion that the Defined Benefits/Final Salary pension was a sustainable concept when investment returns were very high and the average number of years of pension payment were short. Once the situation reversed itself it became unsustainable to expect such pension arrangements to be continued. In fact, since a significant percentage of the assets in most Pension Funds are invested in shares, the continuance of the Defined Benefits pensions is putting at risk both the continuing commercial success of good employers and the value of the pension which the employee could look forward to receiving.

Journalist: What is the main ‘secret’ of the Ten Pillars formula?

Ten Pillars: The Ten Pillars Programme does not try to re-invent life, but, it does attempt to use the best which life has to offer. What I mean by this is as follows. Firstly, the Ten Pillars Programme focuses on the individual and through the individual hopes to provide value to society too. The Ten Pillars Programme believes that the best option is for society and the individual to live in harmony. Society will provide the Special Levy Funding and the affluent pensioner will support a whole host of quality new jobs when the good pension times will have finally arrived.

The Ten Pillars Programme is harnessing the enormous power of compounded growth which can be achieved over the long term. The single most powerful element within the Ten Pillars Programme are the relatively modest capital amounts (between £5000-£12,500 for each child) which are granted at birth. The fact that we have capital amounts which could be expected to double every 14 years (at 5% p.a. net compounded growth) allows us to achieve a 30 times multiplication growth of the original grant amount by the time the individual has reached age 70. The retirement age of 70 is also significant: for example, a £5000 grant at birth will grow 30 times to £150,000 by age 70 but only about 15 times to £75,000 by age 56. Furthermore, the Ten Pillars Programme also requires that each individual (including the self-employed) and every employer makes the Compulsory Minimum Pension Contributions. The pension contributions level suggested could be set at such an ‘affordable’ level only because of the ‘Government Grant at birth’. Nevertheless, the continuing pension contribution by both parties and the constant prudent investment and re-investment of these funds is what allows the final pension accumulation to become so impressive. The Ten Pillars

Programme also expects the Government First Job(s) Pension Subsidy for the low paid during their early years of work to make an important contribution. Our example shows that for a low paid individual the Government Grant at Birth and the Government First Job(s) Pension Subsidy (including the contributions by the employee and employer) during the first 7 years of employment could add up to approximately the same capital amount by retirement date.

In summary, the secret power of the Ten Pillars Programme is that it starts so early in the life of each individual and allows fairly modest capital amounts to create real value through investment rather than just through hard work. In fact, the Ten Pillars Programme will cost the nation a fraction of the cost which the individual and the nation would have to assume under present conditions for the same level of benefits. In many ways it could be said that the Ten Pillars Programme will generate new wealth through its vision and creativity but definitely not through creative accounting.

Journalist: As far as I can tell the Special Levy is a new tax. Is it not?

Ten Pillars: Yes it is. At the same time, I believe it's the best tax any nation could decide to legislate. The estimated cost in the UK is £176 p.a. or £3.39 p.w. for the 15m households which would be required to pay it and £100 p.a. or £1.92 per week for every employee to be paid by the employer. In addition, employers would have to make the Compulsory Minimum Pensions Contributions (5-3% of gross salary) but in return will no longer be expected to offer to the Ten Pillars Generations a Defined Benefits pension. The exchange being offered to the business community is, I believe, great value to them.

As far as the householders are concerned £3.39 per week is not a terrible burden and yet their children and the children of their relatives and friends will in exchange start to receive thousands of pounds of Government Grant money at birth. Furthermore, the £5.6 billion of investment money which the Super Trusts will receive every year will be invested wisely and continue to create better jobs and a better environment for business. Slowly the 'gang ho' approach of many in the financial services industry will give way to a long term quality investment and management culture.

Journalist: Do you really think the Ten Pillars Programme could change the economic 'boom and bust' cycles?

Ten Pillars: It is difficult to project that far into the future but in principle I am willing to predict that the overall investment and banking culture will change. If we assume that a number of countries would decide to adopt the Ten Pillars Programme in full then within say 20-30 years we are talking about investments totaling £ trillions. Such level of asset acquisition and management which is not based on a policy of 'quick in and out' profit taking should make a strong impact on the markets. The Super Trusts will buy an asset and aim to add value to it in order to increase the profitability and cash flow so that the extra cash could be re-invested further in the acquisition and management of additional assets. The vision of the Super Trusts would be to avoid wild market speculation and fluctuations. The vision of the Super Trusts would be the buildup of investment value for the very long term. Successful investment by the Super Trusts (along the lines of Warren Buffett) is bound to influence the market. The Super Trusts will try to create a multiple of the

Warren Buffett's success story although the projected Super Trust annual net compounded growth rate of 5% is less than 25% (a quarter!) of the average annual compounded growth which has been achieved by Berkshire Hathaway (21.4%) since 1965 (or 361,156% growth overall).

Journalist: Could you please clarify who will have the power to decide when each individual will be able to retire according to your Programme?

Ten Pillars: In principle the Ten Pillars Programme is based on an official retirement age of 70. There are a number of reasons why we have chosen this specific age. Firstly, we believe that with the support of MAXILIFE (Pillar No 10) many healthy individuals will be able to continue in employment (full or part time) well beyond age 70. Many healthy people in their seventies could provide support to older or feeble pensioners. Others would choose to extend mentoring and/or consultancy services to individuals, businesses, charitable organisations, education, etc. Secondly, the power of 'compounding investment growth' accelerates with time. For example, the growth which we expect to achieve during the last 14 years (from age 56-70) actually **doubles** the value of the capital amount which has been accumulating during the first 56 years (80% of the investment time!). This means that the value of the pension which could be paid age 70 would be twice as much on the basis of the final capital amount, but, also much greater because the number of pension years anticipated will be substantially lower. For example, a person retiring age 56 with a life expectancy to age 90 will need to receive a pension for 34 years whereas the same person retiring age 70 will need pension income for 'only' 20 years (or 59% of the time).

The Ten Pillars Programme was designed around the needs of the individual and all the funds continue to accumulate in his/her Personalised Accounts. This means each individual would, in principle, have the personal option to choose the date when they wish to retire. The only caveat will be whether for the expected life still ahead for the new retiree there is enough accumulated capital. For example, if the life expectancy is 20 years the question will be whether the accumulated amounts (plus further growth over the 20 years on the remaining balances) could provide a decent standard of living. The decision whether to approve an early retirement age (i.e. before age 70) would depend on an Actuary and if necessary a Medical Board. The medical opinion may be necessary if the individual wishes to retire early whilst the accumulating capital has not had enough time to grow sufficiently. The Actuary in consultation with the Medical Board would be able to decide whether to authorise the early retirement based on the expectation that the amounts available would be sufficient to produce an agreed pension for the number of years which the specific pensioner is expected to live. In other cases, where the individual will have accumulated impressive amounts the decision when and how to retire will remain in the power of the individual. **For the avoidance of doubt**, it should be noted that the funds which have accumulated from the Government Grant at Birth and the Government First Job(s) Pension Subsidy (if paid) could be used to draw a pension **only** once the official retirement age has been reached i.e. age 70 in the case of the Ten Pillars Programme examples. Early retirement and early pension payments could only be made from funds which have been contributed for and by the individual, by employers, family, friends, etc. The reason for this approach is that Governments will want to make sure there will always be enough capital available in the individuals' Pension Account to pay a 'living wage' pension to the 'bitter end'. The only exception to this rule would be in the case of specific individuals where the Medical Board has concluded that due to serious illness the respective life expectancy has been significantly reduced, therefore, justifying the early deployment of the Government provided funds.

The Ten Pillars Programme has the capacity to pay a 'living wage' pension to every individual for life. For the first time in pension history every individual should be able to have a number of pension years irrespective when they identify their illness.

Journalist: Your answer triggered an interesting associated question. What will happen to a person whose actual life (number of years) will extend beyond the life expectancy which had been used to calculate the annual pension payments?

Ten Pillars: This is a very important issue. What the Ten Pillars Programme aims to do is to allow each individual the opportunity to enjoy their accumulated capital to the full by way of receiving as generous a pension as the specific amount of savings could provide. We need to note also that each future pensioner will, in principle, be able to donate cash amounts or pension assets from their pension accumulation to family and friends. The amounts donated will always require the prior written approval of an Actuary to make sure the individuals' own future pension prospects will not fall below a certain level of future income.

In order to ensure each individual pensioner will remain self sufficient in terms of pension funding and never become dependent on the public purse the amounts related to the Government Grant at Birth and Government First Job(s) Pension Subsidy (if paid) will be restricted to the payment of a pension from the official retirement age onwards – in our case 70 years. Furthermore, in order to ensure that the pension could truly be paid for life the Ten Pillars Programme will have about 70 years in which to seek to identify the best method(s) with which to assess the anticipated life expectancy of each individual. We can assume with confidence that the next 50 years will bring with them great advancements in medical science. Biotechnology and the hi-tech industry are bound to develop new tools and better methods to assess the state of health of each individual. This information will be available to the Medical Board and the Actuary when they decide what life expectancy to assign to the individual. It is clear that the pension paid to an individual who is estimated to have 20 years to live will be smaller than the pension paid to an individual who has the same capital amount in their pension account but is assumed to have only 10 years to live. In addition, it is the intention of the Super Trusts to charge a small amount to the pension accounts of each of their future pensioners by way of an insurance premium. This insurance premium too will be invested and reinvested in order to allow each Super Trust to be able to continue to pay the same level of pension to the individuals who have successfully 'beaten the odds' and lived longer. Although, in this case the Ten Pillars Programme is also resorting to an 'insurance pool' funding principle it is for a completely different purpose than at present i.e. in our case it is in order to pay **every** individual a good pension for **as long as they live** without having to fear that they could be abandoned should their life extend and extend beyond the estimated age.

Journalist: What will happen to the funds which were left in the pension accounts of the individual after their death?

Ten Pillars: There are a number of possible scenarios regarding an 'inheritance' left by the individual:

- Should the individual die before they have started their retirement all the funds which have accumulated in their personal pension sub-account will be distributed according to the 'will' which the individual will have deposited with their respective Super Trust.

  (The amount will be subject to the payment of the relevant tax).Each Super Trust will make sure each one of their future pensioners will have completed a 'will' – once they reach the appropriate age.

  The funds accumulating in the Government Grant at Birth and Government First Job(s) Pension Subsidy sub-accounts will be returned to Government including the accumulated growth. The only exception would be if the individual will have died while supporting a young family (young children). In this instance these funds too could be available to enhance the pension accounts of the children and possibly accessible to provide additional financial support to the family in order to avoid them having to face poverty

- If the individual dies after the official retirement date (70) all the funds which have accumulated from whatever source would be available for distribution according to the instructions left by the individual in their 'will' (less the applicable tax)

- In principle, most pensioners will be expected to have died at a time close to the date which was estimated by the Medical Board and the Actuary when retirement took place. Therefore, it is not expected that by the time of death a significant amount of money/assets will have remained in the accounts. The pension payments will have been calculated to use the capital amount in everyone's pensions account to the full by the time they seek refuge in the nether world

Journalist: Could you please explain to me the difference between The 'Government Sub-Account' and 'The Personal Sub-Account'? Why do we need this structure?

Ten Pillars: In order to provide every individual with the option to decide on their own specific retirement date, whilst at the same time making sure people will not retire early unless they could afford to and further to ensure no one will ever need again become dependent upon the public purse for their retirement income the Ten Pillars Programme decided to propose the two sub-accounts:

- The Government sub-a/c will hold the Government Grant at Birth funds and the Government First Job(s) Pension Subsidy (if paid). These funds will not be available for pension payments prior to the individual reaching the official retirement date. This requirement will ensure that each individual will have a significant capital amount available at retirement time which would be used to make the on-going pension payments

- The Personal sub-a/c will contain all the funds/contributions which either the individual and/or family and friends will have made either at birth or throughout life. This sub-a/c will also contain the Compulsory Minimum Pension Contributions which both the Employee and the Employer(s) will have made over the years. Should this account be well endowed the individual could seek approval from the Medical Board and an Actuary for an early retirement. The individual could request full pension or part pension depending upon the amounts available and their personal wishes. The exact amount to be paid by way of a pension for life will have to reflect the specific life expectancy of the individual (the number of years of life expected from retirement date), the amounts accumulated and the rate of return which at the time of retirement the capital available could be expected to earn (on remaining balances).

Journalist: Why do you think Governments are likely to agree to adopt the Ten Pillars Programme? Governments are already talking about reforming their Pension Systems

Ten Pillars: As of this moment we have not seen any sign of a significant pensions reform anywhere. The UK Government, for example, is talking about serious reform and yet what is being proposed is a meagre 20% (twenty per cent) increase in the basic State Pension by the year 2050 (42 years hence). Thereby raising the weekly pension which the individual could expect to receive to £145 or some £7500 p.a. (in current terms). We at the Ten Pillars Programme do not consider an annual pension of £7500 a pension reform to 'crow' about. We believe £7500 p.a. is a 'below the poverty line' pension. We believe the needs of older people become greater in many respects with time because their health deteriorates and their overall mobility declines. The Ten Pillars Programme can offer the example of a pensioner who earned for most of his/her life not more than £20,000 (UK) p.a. but under the Ten Pillars Programme could look forward to a pension of some £42,000 p.a. for 20 years (assuming retirement age of 70 and life expectancy of 90. Remaining balances are assumed to be earning 5% p.a. net compounded). In this specific case the individual will be able to enjoy an annual pension income which is more than twice the annual life time 'at work' income (example shown on page 95).

The pension and economic benefits which the Ten Pillars Programme could offer do not fall into the 'reform' category but into the 'paradigm shift' world.

Journalist: How likely are Governments to adopt the Ten Pillars Programme and legislate the Special Levy tax? After all, the public will have to pay the additional tax for 70 years before the new pension tide will materialise

Ten Pillars: At the Ten Pillars Programme we are hopeful that there will be enough Governments who'll see the eventual paradigm shift and will be **caring and courageous** enough to 'bite the bullet' without further delay. It is a pity that we can't provide a painless solution to the current pension problem too. But, life is about reality and not miracles. The Ten Pillars Programme has the power to solve the pensions problem in the future. Governments need to address both issues at the same time i.e. learn how to deal with the current problem and what could be done in order that the current problem will not also be the 'current problem' in 40 years time. The proposal of the UK Government to increase the state pension by 20% by 2050 i.e. within 42 years is, in our opinion, a recipe for disaster. The reason the UK Government is offering such a small increase is because the treasury is well aware that future Governments will not be able to pay more.

We, at the Ten Pillars Programme, are hopeful that the media will understand the dramatic change which the Ten Pillars Programme will be able to bring about to the whole economy not only to the pension income of our future generations. We are hoping that the media will create much positive 'noise' and therefore generate great interest so that the public will rise and demand the adoption of the Ten Pillars Programme. Politicians are always busy putting out current fires. They do not normally have the time to think about what will happen in 50 years time. Yet, the future has the strange habit to become the present and then the past. Society must take drastic action now. The Ten Pillars Programme, in fact, is drastic action at bargain basement prices. The Ten Pillars Programme is the intelligent answer to our pension prayers. We are relying on journalists to do their professional and civic duty.

We are all desperate sailors travelling in the same leaking pension boat – seeking refuge from the violent storm which is lashing at us with biting cold winds and heavy hail stones.

Journalist: Could you trust current and future Governments to keep their hands off the vast pension funds accumulating within the Super Trusts?

Ten Pillars: This is probably our greatest single fear. It will be imperative that Governments pass legislation which not only requires the public to pay the Special Levy but also restricts current and future Governments from 'raiding' the wealth growing within the Super Trusts. At the Ten Pillars Programme we go so far as to suggest that the Special Levy payments would not be allowed as tax deductible expense so that future Governments could not later claim to have made a direct cost contribution to the package. The best protection which we could think for the Super Trusts and their accumulating wealth would be public vigilance, their independent legal structure and the high power Supervisory Board which would be responsible for the proper performance of the Super Trusts.

It is clear that future Governments would be very tempted to raid the Super Trusts' great wealth. At the very least future Governments are likely to want to tax and **borrow** from the Super Trusts. We at the Ten Pillars do not wish to see Super Trust funds lent to Government in order to meet current funding deficits. We do not want, once again, to find future pensioners and their pensions dependent on Government liquidity. In principle, we wish to see the funds invested in the real economy. Unfortunately, your question is very relevant. We would welcome ideas from the greater public how to keep the hands of future Governments off our 'fat pensions' in the future.

Journalist: What about the Trade Unions? What reaction do you expect to receive from them?

Ten Pillars: We are hoping that the Trade Unions will support the launch of the Ten Pillars Programme. After all, we are confident that the well being of all pensioners, but especially those who have earned relatively little during their working career, will be transformed. One example shows an annual pension income of some £42,000 p.a. instead of £7500 p.a. from the State (by 2050) for a pensioner who never earned more than £20,000 p.a. during their working life.

At the present time the Trade Unions are desperately clinging to the philosophy of the Defined Benefits pension plan. It is possible that the Trade Unions have no option but to try and keep the Final Salary pension going because there simply is no better alternative for the employee at the moment.

From the point of view of the employee the Final Salary/Defined Benefits pension is almost always better than a Defined Contributions one. However, in the economic climate of the moment a Final Salary/Defined Benefits pension is only good as long as there is a 'built-in' Government Fall Back Guarantee. In the years to come it is very likely that many pension schemes will fall short and be unable to meet their obligations in full or at all. The Trade Unions will always try to force Government to step into the shoes of the failing employer and take over the pensions' obligation in full. Long term this is an unsustainable financial proposition. Therefore, we believe that the Trade Unions will recognise the value of the Ten Pillars Pension Programme and will back the Ten Pillars Programme for the long term, but, continue to try and squeeze as much Final Salary commitments in the short term.

We are hoping that the Trade Unions will realise, possibly in response to the enthusiastic reaction of their membership, that the Ten Pillars Programme truly is the 'light at the end of the long pension tunnel' and offer their unmitigated support from day one . Time will tell.

Journalist: I am sorry to be a pest, but, you must have your own thoughts regarding how future Governments could be 'stopped' from using the Super Trust growing pension wealth to finance current budgetary shortfalls, however urgent the need?

Ten Pillars: There are many issues of detail which will require a great deal of further thought and careful planning. The Ten Pillars Programme is being presented to our global community as an important social and economic concept. It is reassuring for us to know that there are hundreds of thousands of experts all over the world with the specific legal, tax and investment knowledge to assist us to produce a polished 'final' product. We are hoping to hear from them.

As far as your question is concerned we can add the following thoughts:

We believe that once legislation formalising the establishment and confirming the independent legal structure and status of the Ten Pillars Programme has been enacted; changing the agreed terms should be made very difficult to implement.

We believe that future Governments seeking to propose changes – especially when they wish to withdraw funds from the Super Trusts – must seek approval as follows:

- If the Government wants to use the power of Parliament to change the terms and conditions of the Super Trusts Charter it would be a legal requirement that, say, no less than 85% of parliamentarians from all parties would have to vote in support of the proposal

- If Government finds that it cannot obtain the 85% majority required in Parliament it could seek the approval of the citizenship via a national Referendum. In order for the proposal to be approved it is suggested that there must be support from 75% of all votes cast but only if these constitute at least 50% of the votes which the population is entitled to cast. The 50% requirement is meant to ensure at least half of the population which is entitled to vote would have actually exercised their right to decide the future fate of the Ten Pillars Programme

Journalist: How can you ensure that each and every Super Trust is managed prudently and successfully for the very long term capital growth which is required?

Ten Pillars: I fully understand your concern and therefore the question. We all share the same concern. The Ten Pillars Programme requires three stages for its successful implementation:

First: Convincing the public and Government (s) that the Ten Pillars Programme has the power to produce a new wealth creation paradigm. The Ten Pillars Programme is a paradigm shift which will transform the current pension 'Time Bomb' but also bring about a very beneficial impact upon the national economy

Second: Once the public and Government decide that they wish to embrace the Ten Pillars Programme in full it will be necessary to draft the required legislation and put in place the various systems and controls which would ensure the smooth implementation and on-going prudent and successful management of the Programme

Third: The important elements in the buildup to the long term success and wealth creation by the Ten Pillars Programme will be the launch and thereafter the on-going prudent and successful management of the funds entrusted to each Super Trust. Each Super Trust will be expected to 'survive' for some 100 years (or even longer if a successful Super Trust is invited in 'say' its 80th year to receive new capital grants in respect of a new generation of future pensioners)

The Ten Pillars Programme is clear that it will be necessary to devise a detailed concept and strict set of controls for the prudent and proper supervision of each Super Trust. In addition, each Super Trust will have its own operating management, as well as, board of directors.

As stated earlier, the overall investment approach which the Ten Pillars Programme is planning to take could be compared to the very successful capital growth formula which Mr. Warren Buffett and his associates have been practicing for some 40 years at Berkshire Hathaway Inc. Mr. Buffett's team has been able to achieve an annual compounded net growth rate for their capital of some 21%. The Ten Pillars Programme is projecting an annual compounded growth rate of 5% net of costs and inflation.

Each Super Trust will be seeking to recruit a number of special individuals in whose hands it could place with confidence the grant moneys received either from the Special Levy, Family and Friends or the Compulsory Minimum Pension Contributions. These individuals will have to be special people in the sense that they will be highly motivated to achieve personal and corporate success yet able to take the prudent long term approach. Warren Buffett refers to such candidates in the following words "All manage substantial sums currently, and all indicated a strong interest in coming to Berkshire if called…" "The candidates are young to middle-aged, well-to-do to rich, and all wish to work for Berkshire for reasons that go beyond compensation".

At the Ten Pillars Programme we too are confident that it would be possible for society to produce the required number of professionals; each of whom was interested in becoming an important contributor to the success of what we believe is a most ambitious social and economic re-engineering programme.

Journalist: In many European Countries the overall birth rate has been declining for years. In addition, many of the children which are born there now are actually conceived by parents who are immigrants from afar. Do you have any thoughts about how these two important factors could impact upon the eventual success of the Ten Pillars Programme?

Ten Pillars: Your questions are getting more complex. In fact, this last one could be said to be a 'politically incorrect' question to ask and therefore could constitute a 'risk' to answer. Nevertheless, I can acknowledge that these two issues have been considered in depth by the Ten Pillars Programme. The fact that the birth rate has been falling for years aggravates the decline in the Generations Ratio. Not only the number of pensioners is increasing, not only pensioners average life expectancy is rising but also the average number of births per 1000 of population has been falling steadily. The situation could be said to be a 'triple whammy'.

The Ten Pillars Programme is hoping that young people at work will be more willing to accept graciously the increasing financial burden of current pensioners and the additional cost of the Special Levy because they will be reassured in the knowledge that their own children will become the Ten Pillars Generations and eventually enjoy great pension benefits. However, we should not underestimate the overall tax burden which young people at work will have to shoulder in some countries when their national Generations Ratio will become one to one i.e. one pensioner to one tax-paying individual. Greece and Finland need to prepare for this day.

My reply to your second question is clear. The Ten Pillars Programme proposes that every child born in the country to parents who are formally residents in the country should be given the Government Grant at Birth like the rest of the children irrespective of whether the parents are recent immigrants or not. It is important to fund the pension account of every child at birth because later on it will become impossible to provide the same benefits for the low 'at birth cost'. For example: a female from a poor family would be entitled to a Government Grant at Birth of £12,500. Fourteen years later the Grant would have to be doubled to £25,000 in order to deliver the same capital accumulation by age 70. By age 28 the Grant sum would have to be £50,000 (four times greater).

The important aspect for the nation is to make sure that each individual living formally within its borders has the same incentive to participate in the economic and social life of the country. Hopefully, the existence of the pension funding would help marginalised communities to make a greater effort to integrate. At the same time there are built in safety mechanisms regarding the employment of the funds provided via the Special Levy. For one, the funds will be invested for 70 years (and beyond) helping the local and global economy to grow and prosper. Secondly, the funds provided from the Special Levy are destined to be used to pay the pension only once the individual reaches age 70. It is true that the individual could seek to obtain early retirement approval but the use of the Government Grant at Birth and Government First Job(s) Pension Subsidy would only be allowed for early retirement when the individual was certified by an Actuary and a Medical Board to be very ill and with a much reduced life expectancy.

It is also an option to decide to release the pension moneys which originate from the Special Levy grant funds only to individuals who either live during their pension years in the country or who have lived in the country for most of their working life. These are important points of social consideration which should be discussed in detail once the Ten Pillars Programme had been approved in principle.

Journalist: What are your own main concerns about the Ten Pillars Programme and the likelihood that it will achieve the level of success and social and economic transformation which is forecast?

Ten Pillars: As you can tell much of the information provided earlier incorporates the reply to this specific question:

- Firstly, we are concerned to achieve very high awareness penetration levels for the Ten Pillars Programme amongst the population. We don't wish to see the Programme simply pushed upon the public from above. We would like to see the public enthusiastic about the potential paradigm shift which we believe can be achieved. We would like every individual to be excited by the role which each participant will be playing in creating the world's greatest single economic and social transformation undertaking.

- Secondly, we are concerned to achieve a quick and clear decision by the political parties and with Government. We would like to see Government(s) ready to draft the required legislation without the usual wrangling and procrastination.

- Thirdly, we are concerned to establish an effective Super Trust structure, systems and supervisory controls. We want to start investing the funds in order to increase the wealth of future pensioners but in the process also improve the economic circumstances of the local and global economy. We are concerned about the sudden emergence of extremely well endowed Sovereign Wealth Funds, especially those funded by 'petrol dollars'. These Funds are accumulating vast amounts of cash and will be acquiring assets. Many of the assets which the Sovereign Wealth Funds will be after are probably the same assets we expect the Super Trusts to seek to acquire. Hopefully, the Super Trusts will develop rapidly the expertise necessary to buy and add value to assets. Possibly, the Super Trusts will be able to identify and acquire assets with excellent intrinsic value which others have neglected to notice. It is clear to us that the establishment of the Super Trusts is needed in order to create a counter balance to the Sovereign Wealth Funds. This is an additional benefit to our economy and society which we had not identified at the beginning of our Ten Pillars journey. Hopefully, there will be enough good, profitable, cash generative companies for all of us to acquire!

- Fourthly, the last concern we have is to make sure Governments keep their hands off the growing wealth of the Super Trusts. This will not be easy. One hundred years is a long time. Let's hope for the best.

Journalist: Did you consider the idea that the knowledge that their pension funds are accumulating 'effortlessly' may actually discourage a large number of the Ten Pillars Generations children from ever being seriously involved in regular full time work?

Ten Pillars: Yes, we have – very much so.

Firstly, at the Ten Pillars Programme we believe that every child born should be helped to become a positive member of society so that s/he could bring to fruition much of their 'built in' capabilities and talents. It is not clear at the time of birth which of the children will have a successful and satisfying life. In fact, it is very difficult and very wrong to make any assumptions. The only fact we do have from research is that children of very poor parents are, on average, less likely to exploit their gifts than the children of more affluent parents. Furthermore, at the present time we are aware that in many 'Western' countries there are significant numbers of young people who feel, for whatever reason, marginalised within society.

Secondly, the Ten Pillars Programme makes it very clear that the very best time, **the least costly time**, to start pension accumulation is the day the child is born. Considering that we can't tell at birth which of the hundreds of thousands of children born annually is likely to be influenced by the accumulating pension funds 'into choosing a life of work oblivion' we have no option but to provide the funding to every child.

Thirdly, the Ten Pillars Programme is calling for the provision of £5000 additional Government Grant at Birth to the benefit of the children of the very poor (estimated at 20% of births). The extra £5000 is a doubling of the grant which the male child will receive. We believe that doubling the grant money will make the children of the poor feel 'wanted', 'loved' and 'respected'.

Finally, the Ten Pillars Programme, once established, will become part of our daily life. Its progress and economic influence will be monitored and discussed widely. The education system will become involved in the programme and teachers will be asked to talk to their pupils about the value of prudent economic life and careful financial management. The children themselves will be able to access, via the Internet, their individual Super Trust pension accounts and review the progress being made. In addition, we must not forget the very important influence which the MAXILIFE Internet system is expected to have upon the career progress of the individual.

Overall, we accept the possibility of a 'moral hazard' i.e. that there is a risk that some individuals may allow the knowledge that they are likely to receive a 'minimum' pension income come age 70, irrespective of any 'further' work related contributions, and therefore may 'opt out' of the work system. However, we at the Ten Pillars Programme are convinced that the numbers of the 'opt outs' in society will reduce greatly rather than increase. The improvement in the economic climate, the greater career opportunities and the 'daily support' of the MAXILIFE facility are expected to make further contributions to the economic participation levels of individuals and society.

Journalist: I am intrigued by your clear concern about the Sovereign Wealth Funds. Could you please explain this issue again for the benefit of my readers. It is possible that they, like me, would be interested to learn more about the issues which engage you in this connection.

Ten Pillars: The world already has a significant web of banks, insurance companies and other organisations which specialise in long term pension funds management. The overall value of funds which are under management by the diverse types of investment managers is vast (it is estimated at some $10 trillion). However, there are a number of aspects which are typical of all of the commercial investment managers:

1. They manage the funds for third parties

2. Mostly the funds being managed ultimately belong to a vast number of individual account holders

3. On average each individual (the end beneficiary) has under management an amount which is insignificant compared to the total being managed by their specific fund. Therefore, very few individual 'savers' can justly claim to have the ability to 'force' their opinion on the market (via their fund manager)

4. Although Pension Fund Managers are expected to manage investments for the long term their own performance is often evaluated quarterly (every 3 months). The pressure to demonstrate growth every quarter has a great influence upon the investment decisions of Fund Managers and therefore on the types of assets which they acquire

The ownership and operational profile of most, if not all, the Sovereign Wealth Funds is very much different to the type of Pension Fund Management company which we are familiar with. For example:

1. The Sovereign Wealth Fund is owned by the 'State' rather than by hundreds of thousands or even millions of small savers or shareholders

2. All too often the Sovereign Wealth Fund, although formally owned by the State, is in fact 'owned' or 'controlled' by an individual i.e. the Sovereign himself or his extended family

3. Considering that the 'Sovereign' may actually be a feudal leader lording over the nation it is clear that however benevolent his intentions may be the investment and management decision making process is vastly different and may lack any resemblance to the accountability and transparency standards which we expect these days

4. Unfortunately, quite a few of the Sovereign Wealth Funds are owned or controlled by individuals with a very clear political and/or religious agenda. The fact that hundreds of billions even trillions of dollars are controlled by individuals who may be motivated to make investment and subsequently management decisions which are not necessarily purely commercial is a new element in the development of the global investment market in the 21st Century

5. The Sovereign Wealth Funds which are generating their wealth from the sale of petrol, are increasing their cash reserves at an incredible rate. The total amounts which are expected to be accumulated by the energy exporting nations within the next 10 years are likely to eclipse anything the world has known previously

6. The cash rich Sovereign Wealth Funds will seek to preserve the value of their cash reserves. The questions we need to ask are: which assets will

they seek to acquire, how will these assets be managed and what impact upon the local and global economy will their investment and management philosophy have?

For the moment (June 2008) the Sovereign Wealth Funds have helped stabilise the global financial markets by buying new equity issued by major banks in an effort to repair their damaged balance sheets. This is good news. The question to ask is to what extent the Sovereign will choose to 'interfere' in the management of the organisation and have the power to decide the future direction of these important global banks?

The Super Trusts which will emerge as a crucial part of the Ten Pillars Programme have been designed to receive and manage the Special Levy grants, as well as, the Compulsory Minimum Pension Contributions, etc. The investment philosophy of the Super Trust will be very clear: Long term investments in productive, profitable and cash generative businesses. The Super Trusts will acquire good assets and will own them outright for the very long term. The only time a Super Trust will be selling any of its assets would be when the management will decide that the specific industry may be in decline or a better opportunity will have presented itself. The time when substantial sales will be taking place would be when the respective Super Trust has reached maturity i.e. it starts paying Pensions to its 'owners' and needs to realise assets in order to raise the cash. It is very likely that 'mature' Super Trusts will be selling much of their assets to 'younger' Super Trusts still in their asset acquisition days.

The expected rise of the Super Trusts (hopefully in many 'Western Countries') may just have the 'muscle' to provide a counterbalance to the voracious asset acquisition ability of the Sovereign Wealth Funds. Unfortunately, as mentioned earlier whilst the Super Trusts are still in the conceptual stage the Sovereign Wealth Funds are real, very real.

Journalist: All is very well. I can understand now why you believe that the Ten Pillars Programme has the potential to sort out the pension problem – in the long term – and possibly also create serious competition to the Sovereign Wealth Funds also in the long term. But, do you really believe the United Kingdom, for example, will agree to legislate a new tax on top of all the other existing taxes to the tune of almost 0.5% of GDP p.a.?

Ten Pillars: In 1961 when the Soviet Union launched the world's first Astronaut into space President Kennedy decided to marshal the financial and technological resources of the United States of America and launched his own vision to land a human (preferably an American) upon the Moon. In the year 1969, only eight years after Yuri Gagarin circled the earth in orbit and after supposedly many billions of investment dollars Neil Armstrong stepped gingerly upon the surface of the moon and uttered those powerful and ever reverberating words "That's one small step for (a) man, one giant leap for mankind".

The US space programme has helped science to acquire greater understanding of the origin of planet earth, the direction life on earth is likely to take and to transfer the benefit of technologies which were developed for the space programme to assist us in our daily life on earth. In fact, Prof. Stephen Hawking has said words to the effect that the only hope homo sapiens have for our 'long term' future survival would be to send select teams to explore and settle elsewhere within our solar system: "I don't think the human race will survive the next thousand years, unless we spread into space. There are too many accidents that can befall life on a single planet. But I'm an optimist. We will reach out to the stars".

We at the Ten Pillars Programme believe that it would not be too presumptuous to say that the launch of the Ten Pillars Programme in a country would require similar vision and courage from the political leadership and leading lights of the various local media.

Although the annual cost of the Special Levy is projected in the UK to be some £5.643 billion or about 0.46% of current GDP p.a. it is a cost which could be shared as proposed directly by the citizenship and the employers. When shared, as proposed, the cost should not become a burden either to the nation or the respective payers.

The current pension situation in Europe and the USA for example, cannot simply be allowed to continue and fester with no real change in sight. Although the Ten Pillars Programme does not offer a direct solution to the current pension 'time bomb' it does provide an excellent and very cost effective 'final solution' to the pension issue in the long term. Period. Furthermore, as discussed earlier, the work of the Super Trusts would slowly start to improve the economic and employment opportunity in the respective countries. The on-going and increasing contribution of the Super Trusts to the economic well being of the nation has the potential to help the State and the citizenship to cope better with the funding of pensions during the next 40 or so interim years.

We believe that the Ten Pillars Programme is at present time the only practical long term solution to the pension problem. 0.46% of GDP p.a. is probably only around 25% of current UK annual state expenditure on State Pensions, which fail to provide a 'living wage' pension to its humble recipients.

Journalist: Your programme calls for the 'poor' to benefit from positive discrimination on three occasions:

The first time is at birth when the children of the poor (estimated at 20% of all births) are to receive an additional £5000 Government Grant (twice the 'going rate'). The second time is when 30% of the Households are to be exempted from paying the Special Levy because of their challenged economic status. The third time is when the young person on low pay can expect to receive the Government First Job(s) Pension Subsidy for up to 7 years. I have two related questions:

The first is how will 'poverty' be assessed? The second is whether you expect the greater public to resent the 'special treatment' given to the poor – especially when defining 'poverty' precisely might be a challenge.

Ten Pillars: At the Ten Pillars Programme we believe that there is overwhelming evidence that the children of the poor are seriously disadvantaged merely by reason of the circumstances of their birth. We also believe that the Ten Pillars Program has the potential to make a valuable contribution towards changing the 'life balance' of these individuals. It is clear to us that a large proportion of the children of the poor remain poor throughout their entire life. This means they are less likely to be able to accumulate enough pension assets and could expect to be substantially dependent on the State Pension and Supplementary Income in old age (having benefitted from social security payments throughout much of their life, too).

A report by Dr. Jo Blanden and Prof. Stephen Machin of the London School of Economics Centre for Economic Performance states to the effect that *"Parental background continues to exact a very powerful influence on the academic progress of children. Those from the poorest fifth of Households but in the brightest group at age three drop from the 88th percentile on cognitive tests at age three to the 65th percentile at age five. Those from the richest households who are least able at age three, move up from the 15th percentile to the 45th percentile by age five. If this trend were to continue, the children from affluent backgrounds who are doing poorly at age three would be likely to overtake the poorer but initially bright children in test scores by age seven. Inequalities in degree acquisition meanwhile persist across different income groups. While 44 per cent of young people from the richest 20 per cent of households acquired a degree in 2002, only ten per cent from the poorest 20 percent of households did so"*.

It is the position of the Ten Pillars Programme that the combination of the funds accumulating in their personal pension accounts with the constant availability of the MAXILIFE Internet support facility will make it possible for a larger proportion of the children of poor families to break the cycle of poverty and disadvantage, which seems to envelope them. Separately, the additional £5,000 Grant at Birth are expected to add another £150,000 to the accumulated pension assets of the individual by age 70. The £150,000 of capital alone will **add** £11,000 p.a. for 20 years to their Ten Pillars Pension income (almost £1000 extra per month!). This means that a male child who received £10,000 Government Grant at Birth (instead of £5,000) and has never done a 'days work' in any formal capacity throughout their life will still be able to receive some £22,000 p.a. for 20 years or some £1835 per month. It might be worth reminding your readers that each female (not only from a poor family) will receive an additional £2,500 Government Grant at Birth to compensate her for taking time off for child care and for the longer female average life expectancy. The £2,500 are expected to grow to some £75,000 by age 70 (at 5% p.a. net compounded growth) and offer the individual some £5,500 per annum in additional Ten Pillars pension (or about £460 per month).

At the Ten Pillars Programme we believe that unless a pension programme like the Ten Pillars is established future societies are likely to collapse under the combined effect of dire pensioner poverty and the refusal of the people at work i.e. the tax payers, to carry the cost of providing 20 plus years of pension to an ever growing number of pensioners. Therefore, the best argument to convince current generations of tax payers to support the Ten Pillars expenditure is to describe to them the great benefits of investing at birth and thereby gaining additional 30-40 plus years of investment growth.

There are quite a few issues which will need to be studied and discussed prior to the implementation of the Ten Pillars Programme. An important issue will be how to assess (with excellent degree of accuracy, low admin cost and without offending a large number of citizens) and accurately identify the 30% of households which will be exempted from paying the Special Levy and the 150,000 or so children born in the UK (20% of the 750,000 of children born every year) who will receive the extra £5,000 Government Grant at Birth. It is likely that there will be some correlation between the 30% of the households exempted from paying the Special Levy and the 150,000 children receiving the extra Government Grant at Birth. 'Happily', methods for the measurement of poverty already exist. (For example: the LSE report about the children from poor families).

It is assumed that existing social security criteria could be used to identify the poorer households at the appropriate time. It needs to be said that the process has to be quite simple in order to ensure that the child receives the extra grant whilst still in hospital (or within the first month). Equally, the exemption from the payment of the Special Levy needs to be reviewed regularly because some families which operate near the margin of poverty might shift 'in and out' of 'poverty' fairly regularly.

Is Society imitating the Ostrich?

i.e. 'burying its head in the sand' as far as tackling the imminent collapse of the pension system is concerned?

What the experts say;

*"The more we realise how we have underestimated the cost of private schemes, the more it is apparent that **the cost of public sector schemes is completely out of line. They have not been budgeted for**".*

Source: Professor Ros Altmann, former Government Advisor on Pensions

"It is thought the changes will increase the liabilities for 99.5 percent of defined benefit schemes by between six and eight percent. For about a third of schemes, the increase will be as much as 15 to 20 percent".

Source: Daily Express 16th February 2008

Comments

And, what about the individuals who constitute some 46% of the UK population who are not lucky enough to be State Employees nor are they entitled to receive a company pension of any sort? And neither do they have worthwhile personal savings to rely upon?

The State's 'commitment' to meet the financial and health needs of 46% of the population during the forecasted long retirement years (even men are now told they could expect to live to age 89!) is bound to increase in line with the increase in the pension costs of the other groups i.e. State Employees and Private Pension Schemes subscribers. Is it rational to think that the 'public purse' could find the vast amounts required?

A Voice from the Past

> *... human beings should help one another; and the more so, in proportion to the urgency of the need: and none needs help so urgently as one who is starving. The claim to help, therefore, created by destitution is one of the strongest that can exist."*

John Stuart Mill, 1848, Principles of Political Economy

Miracles do happen...

The Chilean Pension Revolution

> *... within 27 years the Chilean Pension Funds accumulated $111.4 billion ... ensuring that typical workers ... now collected 85% of their final wage upon retirement"*

Source: International Herald Tribune, 11th March 2008

It is evident that society has no option but to redefine the process of education and convert it from an 'exclusively' early life experience for most citizens into a Life Long Learning process for all people

MG

Food For Thought?

We are all mad

> *The prevailing theme of Buddhist philosophy is illusion. For well over two millennia its adherents have mapped, by various methods and in great detail, the ways in which human beings deceive and delude themselves. All humans, they want to prove, are mad: ever delirious, we mistake hallucinations for reality, while dismissing truth as falsehood"*

Felix Holmgren,
TLS (Times Literary Supplement), Philosophy Section, 13th June 2008

Appendix I

Further examples of accumulated capital and possible pension values

The Power of the First Pillar on its own

(Grants growing at 5% p.a. net compounded growth)

Interesting Comparisons of Capital Growth

1. A male child with £5,000 Government Grant at birth will have a capital amount of £152,000 at age 70

   - £100 saved each month (£1200 p.a.) will become after 40 years of savings £153,000

2. A female child with £7,500 Government Grant at birth will have a capital amount of £228,000 at age 70

   - £150 saved each month (£1800 p.a.) will become after 40 years of savings £230,000

3. A male child (from a poorer family) with £10,000 Government Grant at birth will have a capital amount of £304,000 at age 70

   - £200 saved each month (£2400 p.a.) will become after 40 years of savings £304,000

4. The female child (from a poorer family) with £12,500 Government Grant at birth will have a capital amount of £380,000 at age 70

   - £250 saved each month (£3000 p.a.) will become after 40 years of savings £383,000

Important to note

- A person earning £28,000 p.a. (average UK earnings) who will be making the 3% Compulsory Minimum Monthly Pension Contribution i.e. £70 (£840 p.a.) and benefits also from the £1000 p.a. Compulsory Minimum Employer Contribution i.e. £83 (£1000 p.a.) for an annual grand total of £1840 i.e. 6.57% p.a. of salary will have accumulated at 5% p.a. net compounded growth the total amount of £233,000 over 40 years

  - A child receiving £7,500 at birth will have accumulated £230,000 in his/her Pension Account by age 70

The Ten Pillars Programme

The power of long term capital accumulation

Example

A female child from a 'poor family' receiving at birth a Government Grant of £12,500

Retirement taking place age 60
(Allowing 60 years of compounded growth at 5% p.a. net)

- The capital amount will have become: £233,500
- Assuming life expectancy of 90 years
- Retirement years: 30
- Annual pension payment (assuming remaining balances earn 5% p.a. net) will be £13,818 –

Retirement taking place age 70
(Allowing 70 years of compounded growth at 5% p.a. net)

- The capital amount will have become £380,000 –
- Assuming life expectancy of 90 years
- Retirement years: 20
- Annual pension payment (assuming remaining balances earn 5% p.a. net) will be £27,758 –

Reflections

1. The extra 10 years (16.67% more years) of capital growth will have added £147,00 in capital value or 63% of the total accumulated to age 60
2. The annual pension which could be paid for 20 years after retirement at age 70 is £27,758 or **twice** the £13,818 p.a. pension which could be paid for 30 years if the retirement age chosen was 60

3. The total pension paid during retirement would be as follows:

- £13,818 x 30 = £414,540 or 33.1 times the original Government Grant at Birth for retirement age 60
- £27,758 x 20 = £555,100 or 44.4 times the original Government Grant at Birth for retirement age 70
- Retirement age 70 would provide in total £140,000 more pension income overall or approx. 34% more in total receipts

4. The cumulative total return which Society would receive upon its £12,500 pension grant investment at birth is:

- Retirement age 60: 33.1 times or 3310%
- Retirement age 70: 44.4 times or 4440%

5. Interesting to note that:

- Each year the £13,818 pension paid will be 110% of the original £12,500 'one off' Government Grant at Birth (pension to be paid for 30 years!)
- Each year the £27,758 pension paid will be 222% of the original £12,500 'one off' Government Grant at Birth (pension to be paid for 20 years!)

Conclusion:

Great Value to the individual pensioner and wonderful value to Society

Pension Gift Voucher
Creating Additional Pension Value

Assuming gift value growing at 5% p.a. net compounded growth –

	Approx Values in £				
	£10 voucher	£20 voucher	£50 voucher	£100 voucher	£500 voucher
Years to grow	Growth Value	Growth Value	Growth Value	Growth Value	Growth Value
70	300	600	1500	3000	15200
65	240	480	1200	2400	11900
60	190	370	950	1900	9300
55	150	290	730	1464	7318
50	115	230	570	1147	5734
45	90	180	450	900	4493
40	70	140	350	704	3519
35	55	110	275	552	2758
30	43	86	216	432	2161
25	34	68	169	339	1693
20	27	53	133	265	1327
15	21	42	104	208	1039
10	16	33	81	163	814
5	13	26	64	128	638

Amounts and Years needed to accumulate a 'Pension Pot'

(at 5% p.a. net compounded growth)

25 Year Old Saving

£50 per month to age:

-	50	£30,000	(25 years)
-	55	£42,000	(30 years)
-	60	£57,000	(35 years)
-	65	£76,000	(40 years)
-	70	£101,000	(45 years)

£100 per month to age:

-	50	£60,000	(25 years)
-	55	£84,000	(30 years)
-	60	£114,000	(35 years)
-	65	£152,000	(40 years)
-	70	£201,000	(45 years)

£200 per month to age:

-	50	£120,000	(25 years)
-	55	£167,000	(30 years)
-	60	£228,000	(35 years)
-	65	£304,000	(40 years)
-	70	£402,000	(45 years)

£500 per month to age:

-	50	£301,000	(25 years)
-	55	£419,000	(30 years)
-	60	£569,000	(35 years)
-	65	£761,000	(40 years)
-	70	£1,006,000	(45 years)

£1000 per month to age:

-	50	£601,000	(25 years)
-	55	£837,000	(30 years)
-	60	£1,138,000	(35 years)
-	65	£1,522,000	(40 years)
-	70	£2,012,000	(45 years)

30 Year Old Saving

£50 per month to age:

-	50	£21,000	(20 years)
-	55	£30,000	(25 years)
-	60	£42,000	(30 years)
-	65	£57,000	(35 years)
-	70	£76,000	(40 years)

£100 per month to age:

-	50	£42,000	(20 years)
-	55	£60,000	(25 years)
-	60	£84,000	(30 years)
-	65	£114,000	(35 years)
-	70	£152,000	(40 years)

£200 per month to age:

-	50	£83,000	(20 years)
-	55	£120,000	(25 years)
-	60	£167,000	(30 years)
-	65	£228,000	(35 years)
-	70	£304,000	(40 years)

£500 per month to age:

-	50	£208,000	(20 years)
-	55	£301,000	(25 years)
-	60	£419,000	(30 years)
-	65	£569,000	(35 years)
-	70	£761,000	(40 years)

£1000 per month to age:

-	50	£417,000	(20 years)
-	55	£601,000	(25 years)
-	60	£837,000	(30 years)
-	65	£1,138,000	(35 years)
-	70	£1,522,000	(40 years)

35 Year Old Saving

£50 per month to age:

-	50	£14,000	(15 years)
-	55	£21, 000	(20 years)
-	60	£30,000	(25 years)
-	65	£42,000	(30 years)
-	70	£57,000	(35 years)

£100 per month to age:

-	50	£27,000	(15 years)
-	55	£42,000	(20 years)
-	60	£60,000	(25 years)
-	65	£84,000	(30 years)
-	70	£114,000	(35 years)

£200 per month to age:

-	50	£54,000	(15 years)
-	55	£83,000	(20 years)
-	60	£120,000	(25 years)
-	65	£167,000	(30 years)
-	70	£228,000	(35 years)

£500 per month to age:

-	50	£136,000	(15 years)
-	55	£208,000	(20 years)
-	60	£301,000	(25 years)
-	65	£419,000	(30 years)
-	70	£569,000	(35 years)

£1000 per month to age:

-	50	£272,000	(15 years)
-	55	£417,000	(20 years)
-	60	£601,000	(25 years)
-	65	£837,000	(30 years)
-	70	£1,138,000	(35 years)

40 Year Old saving

£50 per month to age:

-	50	£8,000	(10 years)
-	55	£14,000	(15 years)
-	60	£21,000	(20 years)
-	65	£30,000	(25 years)
-	70	£57,000	(30 years)

£100 per month to age:

-	50	£16,000	(10 years)
-	55	£27,000	(15 years)
-	60	£42,000	(20 years)
-	65	£60,000	(25 years)
-	70	£84,000	(30 years)

£200 per month to age:

-	50	£32,000	(10 years)
-	55	£53,000	(15 years)
-	60	£83,000	(20 years)
-	65	£120,000	(25 years)
-	70	£167,000	(30 years)

£500 per month to age:

-	50	£79,000	(10 years)
-	55	£136,000	(15 years)
-	60	£208,000	(20 years)
-	65	£301,000	(25 years)
-	70	£419,000	(30 years)

£1000 per month to age:

-	50	£158,000	(10 years)
-	55	£272,000	(15 years)
-	60	£417,000	(20 years)
-	65	£601,000	(25 years)
-	70	£837,000	(30 years)

Building Up A Good Pension

Detailed Example

At Birth: Assumptions

-	Government Grant	£	5000	value at 70	£ 152,000
-	Parents; Cash and borrowing	£	2000		£ 61,000
-	Grandparents: Between them (possibly pension assets)	£	4000		£ 122,000
-	Family	£	500		£ 15,000
-	Friends (£50 x 10)	£	500		£ 15,000
	Total at birth	£	12,000	value at 70	£ 365,000

Family and Friends throughout life

• 1st birthday	(69 yrs growth)	£ 250		£ 7250
• 2nd birthday	(68 yrs growth)	£ 200		£ 5500
• 3rd birthday	(67 yrs growth)	£ 200		£ 5250
• 4th birthday	(66 yrs growth)	£ 200		£ 5000
• 5th birthday	(65 yrs growth)	£ 200		£ 4750
• 6th birthday	(64 yrs growth)	£ 250		£ 5700
• 7th birthday	(63 yrs growth)	£ 250		£ 5400
• 8th birthday	(62 yrs growth)	£ 250		£ 5150
• 9th birthday	(61 yrs growth)	£ 250		£ 4900
• 10th birthday	(60 yrs growth)	£ 1000		£ 18,700
Total		£ 3050		£ 67,600

First Job: Government Pension Subsidy for first seven years (if necessary)

Age	Salary	Own contribution 3%	Employer contribution 5%	Government Grant	Total	Years to grow	Eventual value 70
18	£10k	£300	£500	£1200	£2000	52	25,300
19	£10k	£300	£500	£1200	£2000	51	24,100
20	£11k	£330	£550	£ 1120	£2000	50	23,000
21	£12k	£360	£600	£ 1040	£2000	49	21,800
22	£13k	£390	£650	£ 960	£2000	48	20,800
23	£14k	£420	£700	£ 880	£2000	47	19,800
24	£15k	£450	£750	£ 800	£2000	46	18,900
	Total	£2550	£4250	£7200	£14,000		153,700

Employee & Employer Contributions thereafter

Age	Salary	Own contribution	Employer contribution	Total year	Years to grow	Value at 70
25	£16k	£480	£800	£1280	45	11,500
26	£17k	£510	£850	£1360	44	11,637
27	£18k	£540	£900	£1440	43	11,735
28	£19k	£570	£950	£1520	42	11,800
29	£20k	£600	£1000	£1600	41	11,827
30	£21k	£630	£1000	£1630	40	11,475
31	£22k	£660	£1000	£1660	39	11,130
32	£23k	£690	£1000	£1690	38	10,791
33	£24k	£720	£1000	£1720	37	10,460
34	£25k	£750	£1000	£1750	36	10,136
35	£26k	£780	£1000	£1780	35	9,819
36	£27k	£810	£1000	£1810	34	9,509
37	£28k	£840	£1000	£1840	33	9,206
38	£29k	£870	£1000	£1870	32	8,910
39	£30k	£900	£1000	£1900	31	8,622
40	£31k	£930	£1000	£1930	30	8,341
41	£35k	£1050	£1050	£2100	29	8,644
42	£35k	£1050	£1050	£2100	28	8,232
43	£35k	£1050	£1050	£2100	27	7,840
44	£40k	£1200	£1200	£2400	26	8,534
45	£41k	£1230	£1230	£2460	25	8,330
46	£42k	£1260	£1260	£2520	24	8,127
47	£43k	£1290	£1290	£2580	23	7,925
48	£44k	£1320	£1320	£2640	22	7,723
49	£45k	£1350	£1350	£2700	21	7,522
50	£45k	£1350	£1350	£2700	20	7,164
51	£45k	£1350	£1350	£2700	19	6,823
52	£45k	£1350	£1350	£2700	18	6,498
53	£46k	£1380	£1380	£2760	17	6,326
54	£46k	£1380	£1380	£2760	16	6,025
55	£47k	£1410	£1410	£2820	15	5,863
56	£47k	£1410	£1410	£2820	14	5,583
57	£47k	£1410	£1410	£2820	13	5,318
58	£47k	£1410	£1410	£2820	12	5,064
59	£47k	£1410	£1410	£2820	11	4,823
60	£47k	£1410	£1410	£2820	10	4,593
61	£47k	£1410	£1410	£2820	9	4,375
62	£47k	£1410	£1410	£2820	8	4,166
63	£47k	£1410	£1410	£2820	7	3,968
64	£47k	£1410	£1410	£2820	6	3,779
65	£47k	£1410	£1410	£2820	5	3,599
						323,742

Windfall Contributions

- Inheritance:

- Age 30:	£ 2000	40 years to grow	£ 14,000
- Age 50:	£ 1500	20 years to grow	£ 4,000

- Bonuses:

- Age 35:	£ 1000	35 years to grow	£ 5,500
- Age 50:	£ 1000	20 years to grow	£ 2,700
	£ 5500	Growing to	£ 26,200

Life Time Summary

• At Birth: £12,000 contributions growing to	£ 365,000
• Family & Friends during life: £3050 contributions Growing to	£ 67,600
• First job 18-24: £14,000 contributions growing to	£ 153,700
• Employee & Employer life contributions	£ 323,742
• Windfall contributions	£ 26,200
• Life Contributions Grand Total	£ 936,242

Annual Pension income from a £936,242 fund

(balances continuing to grow at 5% net p.a.)

- Assuming the individual life expectancy is 30 years the annual income is estimated at £55,400 p.a. or £4,615 per month

- Assuming the individual life expectancy is 25 years the annual income is estimated at £60,400 p.a. or £5,040 per month

- Assuming the individual life expectancy is 20 years the annual income is estimated at £68,400 p.a. or £5,700 per month

- Assuming the individual life expectancy is 15 years the annual income is estimated at £82,150 p.a. or £6,850 per month

- Assuming the individual life expectancy is 10 years the annual income is estimated at £110,600 p.a. or £9,200 per month

- Assuming the individual life expectancy is 5 years the annual income is estimated at £198,00 p.a. or £16,500 per month

Example of a Potential Pension

A Male Child

(Low income/low contributions)

Assumptions	**Age 70**
• £5000 Government Grant at Birth growing to:	£ 152,000
• £1000 Family & Friends gifts at birth growing to:	£ 30,000
• £14,000 Compulsory Pension Contributions (age 18-24) Growing to:	£ 154,000
£20,000 total contributions growing to:	£ 336,000

Employee earning £20,000 p.a. throughout life (45 years)

- Employer Contributions	£1000 p.a.	
- Employee Contributions	£ 600 p.a.	
	£1600 p.a. x 45 = £72,000	
Growing to:		£ 268,000

- **Grand total** (assuming no other life contributions) **of wealth accumulated:** £ 604,000

Monthly Pension Income Availability (assuming balances growing at 5% p.a. net compounded). The capital amount available is £604,000:

- Assuming 5 years retirement a monthly pension of approx: £ 10,650 or £ 128,000 p.a.
- Assuming 10 years retirement a monthly pension of approx: £ 5,950 or £ 71,000 p.a.
- Assuming 15 years retirement a monthly pension of approx: £ 4,400 or £ 53,000 p.a.
- Assuming 20 years retirement a monthly pension of approx: £ 3,700 or £ 44,000 p.a.
- Assuming 25 years retirement a monthly pension of approx: £ 3,250 or £ 39,000 p.a.
- Assuming 30 years retirement a monthly pension of approx: £ 3,000 or £ 36,000 p.a.

Example of a Potential Pension

A Female Child

(Low income/low contributions)

Assumptions	**Age 70**
- £7,500 Government Grant at birth growing to:	£ 228,000
- £1000 Family & Friends at birth growing to:	£ 30,000
- £14,000 Compulsory Pension Contributions (age 18-24) Growing to:	£ 154,000
£22,500 total contributions growing to:	£ 412,000

Employee earning £20,000 p.a. throughout life (45 years)

- Employer contributions	£1000 p.a.	
- Employee contributions	£ 600 p.a.	
	£1600 p.a. x 45 = £72,000	
growing to:		£ 268,000

• **Grand total of wealth accumulation** (assuming no other life Contributions)	£ 680,000

Monthly Pension Income Availability (assuming balances growing at 5% p.a. net compounded). The capital amount available is £680,000:

- Assuming 5 years retirement a monthly pension of approx:	£ 12,000 or	£ 144,000 p.a.
- Assuming 10 years retirement a monthly pension of approx:	£ 6,700 or	£ 80,000 p.a.
- Assuming 15 years retirement a monthly pension of approx:	£ 5,000 or	£ 60,000 p.a.
- Assuming 20 years retirement a monthly pension of approx:	£ 4,150 or	£ 50,000 p.a.
- Assuming 25 years retirement a monthly pension of approx:	£ 3,660 or	£ 44,000 p.a.
- Assuming 30 years retirement a monthly pension of approx:	£ 3,350 or	£ 40,000 p.a.

Example of a Potential Pension

A Male Child from a poor family

(Low income/low contribution)

Assumptions	**Age 70**
• £10,000 Government Grant at birth growing to:	£ 304,000
• £1,000 Family & Friends at birth growing to:	£ 30,000
• £14,000 Compulsory pension contributions (age 18-24) growing to:	£ 154,000
£25,000 total contributions growing to:	£ 488,000

Employee Earning £20,000 p.a. throughout life (45 years)

- Employer contributions	£1000 p.a.	
- Employee contributions	£ 600 p.a.	
	£1600 p.a. x 45 = £72,000	
Growing to:		£ 268,000

- **Grand total of wealth accumulation** (assuming no other life contributions) £ 756,000

Monthly Pension Income Availability (assuming balances growing at 5% p.a. net compounded). The capital amount available is £756,000:

- Assuming 5 years retirement a monthly pension of approx: £ 13,350 or £ 160,000 p.a.
- Assuming 10 years retirement a monthly pension of approx: £ 7,450 or £ 90,000 p.a.
- Assuming 15 years retirement a monthly pension of approx: £ 5,500 or £ 66,000 p.a.
- Assuming 20 years retirement a monthly pension of approx: £ 4,600 or £ 55,000 p.a.
- Assuming 25 years retirement a monthly pension of approx: £ 4,070 or £ 49,000 p.a.
- Assuming 30 years retirement a monthly pension of approx: £ 3,730 or £ 45,000 p.a.

Example of a Potential Pension

A Female child from a poor family

(Low income/low contributions)

Assumptions	**Age 70**
• £12,500 Government Grant at birth growing to:	£ 380,000
• £1000 Family & Friends at birth growing to:	£ 30,000
• £14,000 Compulsory Pension contributions (age 18-24) growing to:	£ 154,000
£27,500 Total contributions growing to:	£ 564,000

Employee Earning £20,000 p.a. throughout life (45 years)

- Employer Contributions £1000 p.a.
- Employee Contributions £ 600 p.a.

£1600 p.a. x 45 = £72,000

Growing to: £ 268,000

- **Grand total of wealth accumulation**
  (assuming no other life contributions) £ 832,000

Monthly Pension Income Availability: (assuming balances growing at 5% p.a. net compounded). The capital amount available is £832,000:

- Assuming 5 years retirement a monthly income of approx: £ 14,680 or £ 176,000 p.a.
- Assuming 10 years retirement a monthly income of approx: £ 8,200 or £ 98,300 p.a.
- Assuming 15 years retirement a monthly income of approx: £ 6,100 or £ 73,000 p.a.
- Assuming 20 years retirement a monthly income of approx: £ 5,060 or £ 60,800 p.a.
- Assuming 25 years retirement a monthly income of approx: £ 4,480 or £ 53,700 p.a.
- Assuming 30 years retirement a monthly income of approx: £ 4,100 or £ 49,250 p.a.

The 'mother of all financial deals'

The Ten Pillars Programme

For every one pound granted at birth and allowed to grow and compound for 70 years (at 5% p.a. net growth) the individual pensioner will receive £2.22 in pension income each year for 20 years (£44.4 in total!)

Question:

Can society really afford to ignore such a magnificent financial opportunity?

Example:

£12,500 granted at birth will compound to £380,000 after 70 years and produce £27,758 p.a. in pension income for 20 years

(£27,758 : £12,500 = 2.222) or £555,160 in total.

(It is assumed that remaining balances continue to earn 5% net p.a.).

Appendix II

The Ten Pillars Special Levy

A Perpetual Endowment Super Trust

The Option

The Ten Pillars Special Levy Perpetual Endowment

Super Trust

Is it a Workable Proposition?

1. The Life Span of the Special Levy –

    - It is proposed that 56 years after the Ten Pillars Programme was launched that the Ten Pillars Special Levy Perpetual Endowment Super Trust could be established and the on-going Special Levy tax would be terminated

2. The total cost of the Special Levy to the Nation over the 56 year period – In the UK the projected numbers are estimated as follows:

    - The Government Grant at Birth to 725,000 births p.a. will cost
      £5.283B p.a. x 56 years = £295.85B

    - The Government First Job (s) Pension Subsidy will further require
      £360m p.a. x 56 years = £20.16B

    - Therefore the grand total over the 56 years period is estimated to cost
      the UK £316.01B

3. How does the cost of the Special Levy compare to the Nation's GDP? –

    - £5.283B + £0.360B = £5.643B p.a. in total

    - If we assume that the Nation's GDP is £1300B p.a. the Special Levy cost equals to:
        - On annual basis: (£5.643B x 100) : £1300B = 0.434% p.a.
        - On 56 year basis: £5.643 x 56 = (£316B x 100) : 1300 = 24.31%
          We repeat: Over the whole period of 56 years when the Nation provides the Special Levy funding so that the Ten Pillars Programme could be financed and implemented the total cost will add up to less than a quarter of the GDP of one year. In each year the annual cost of funding the Ten Pillars Programme is less than one half of one percent of GDP.
        - These numbers also assume that the UK GDP does not increase i.e. remains constant at £1300B p.a. over the 56 year period

4. A Constant GDP?
   In normal circumstances it is expected that a nation's GDP will continue to rise annually. Unfortunately, local and global economies have been experiencing recurring economic cycles which either produce higher rates of growth or recession – where growth could even be negative i.e. the economy shrinks over a certain period

    - If we assume that a Ten Pillars Economy grows annually by a constant 1% (which is not a high rate of growth) the UK economy which has a £1300B p.a. in 'turnover' will actually rise over 56 years to deliver £2270B p.a. or a 75% overall increase

- An economy which has an annual 'turnover' of additional 75% or £970B is definitely going to be able to generate 75% (or more) additional tax income (if required) but also provide more employment opportunities
  - It is therefore being suggested that during the years leading to the 56th year the constantly growing economy will make it easier for Government and the Nation to fund the cost of the Special Levy needed to 'feed' the Ten Pillars Programme

5. The Ten Pillars Programme: A new Engine for constant quality investment –

- The annual Special Levy grants will be entrusted to a series of Super Trusts whose task it would be to invest the funds and grow them at least at the rate of 5% net p.a. (compounded growth)

- The Super Trusts would not pay dividend and continue to further invest the income in quality long term assets

- It is estimated that in the UK by the 56th year the accumulated asset value of all the Government Grant Super Trusts would reach some £1642B. At 5% p.a. net the annual income of these investment vehicles would be £82B

- It is expected that the relentless pace of investment and the availability of capital independent of the fortunes of Governments and the stock exchange will create a new era of continuing enterprise, employment and prosperity

- It must be assumed that the existence and energetic investment activity of the Super Trusts will have a positive impact upon the growth of the National GDP. If we assume that the activity of the Super Trusts would add a 0.25% p.a. to the growth of the economy the compounded impact over the initial 56 years upon a £1300B p.a. economy could be to add something like £195B p.a. (by year 56) in economic turnover

6. The Year 2008: Crisis Funding –
It is difficult to quote exact details of the amounts of public money which were provided during 2008 and will be provided during 2009 in order to try to shore up the national and global economy. However, it is clear that in total it will add up to quite a few trillion US Dollars. What is certain is the greater value which creating the Ten Pillars Programme will deliver to society

Ten Pillars Special Levy Perpetual Endowment Option

Proposal Details

(UK Figures)

Assumptions

- Each Super Trust receives Government Grants for 3 years
- Each year the Government Grant is £5.283B (Please see the First Pillar details)
- It is assumed that each Super Trust will earn 5% p.a. net income or interest on the amounts received until the end of the 3rd year. This may look as follows:

  Year one: £5.283B: 2 = £2.6415B (receiving monthly transfers)
  £5.283 + 132.1m = £5.4151B (end of year one)
  End of year two – (plus 5%) = £5.6859B
  End of year three – (plus 5%) = £5.9702B

- **For the 3 years**

: Year one grant by end year 3 =	£5.9702B
: Year two grant by end year 3 =	£5.6859B
: Year three grant by end year 3 =	£5.4151B
3 Year total	£17.071B

Ten Pillars Perpetual Endowment Super Trust

Established Year 56 from Launch

UK Estimated Capitalisation

(It is assumed the £17.071B Government Grant is growing at 5% p.a. net compounded)

	Growing Values
• Super Trust one : 53 years to grow =	£ 226.62B
• Super Trust two : 50 years to grow =	£ 195.76B
• Super Trust three : 47 years to grow =	£ 169.105B
• Super Trust four : 44 years to grow =	£ 146.079B
• Super Trust five : 41 years to grow =	£ 126.189B
• Super Trust six : 38 years to grow =	£ 109.00 B
• Super Trust seven : 35 years to grow =	£ 95.164B
• Super Trust eight : 32 years to grow =	£ 81.34B
• Super Trust nine : 29 years to grow =	£ 70.27B
• Super Trust ten : 26 years to grow =	£ 60.70B
• Super Trust eleven : 23 years to grow =	£ 52.43B
• Super Trust twelve : 20 years to grow =	£ 45.29B
• Super Trust thirteen : 17 years to grow =	£ 39.13B
• Super Trust fourteen : 14 years to grow =	£ 33.80B
• Super Trust fifteen : 11 years to grow =	£ 29.20B
• Super Trust sixteen : 8 years to grow =	£ 25.22B
• Super Trust seventeen : 5 years to grow =	£ 21.79B
Grand Total	**£ 1,527B**

The Special Levy cost terminates after 56 years

- The Ten Pillars Perpetual Special Levy Endowment Option proposes that 56 years from the launch of the Ten Pillars Programme 17 Super Trusts will already have accumulated a grand total of some £1,527B in income earning assets (each one will have started its journey with some £17.071B in cash)

- It is further being proposed that a new type of Super Trust be established. This Super Trust will receive a one-time capital or asset contribution from each of these 17 Super Trusts. Each Super Trust will be obliged to contribute a full 10% of its accumulated capital. The contribution will be achieved via the transfer of income earnings assets or cash or a combination of both

- Considering that the grand total of capital accumulation by the 56th year is estimated at £1,527B; transferring 10% of this total to the Ten Pillars Special Levy Perpetual Endowment Super Trust will mean the new Super Trust will be funded to the tune of about £152.7B from day one

- In addition, at this point the Endowment Fund which was established at the launch of the Ten Pillars Programme to cover the cost of the Government First Job(s) Pension Subsidy (if required) would be merged into the Ten Pillars Special Levy Perpetual Endowment Super Trust. The value of the Government First Job(s) Pension Subsidy Endowment Fund is estimated to amount to £11.5B (Please see Sixth Pillar). This means the Grand Total of the Ten Pillars Special Levy Perpetual Endowment Super Trust is estimated to be £164.2B at its launch date

At this point in time the changes taking place will be:

- The Special Levy will no longer be paid by Householders and/or Employers (reduced taxation)

- Hence forward the Government Grant at Birth to each child will be paid by the Ten Pillars Special Levy Perpetual Endowment Super Trust from its own income and cash flow

- The Government First Job(s) Pension Subsidy (if required) will be paid by the Ten Pillars Special Levy Perpetual Endowment Super Trust as well. It is estimated that the Government First Job(s) Pension Subsidy would cost about £1B p.a. If we assume that the Ten Pillars Special Levy Perpetual Endowment Super Trust will be able to earn 5% p.a. net on its assets the annual income is estimated at £8.21B. After deducting the £1B p.a. for the Government First Job(s) Pension Subsidy the Endowment should have some £7.21B p.a. in order to cover the funding of the Government Grant at Birth

- The Ten Pillars Special Levy Perpetual Endowment Super Trust would constantly seek to upgrade the quality of its assets (probably buying assets being sold by those Super Trusts which have reached the age where it would be necessary for them to dispose of assets in order to raise the cash needed to pay pensions)

Appendix III

Four Book Reviews

plus

Ten Pillars' Comments

Book Review

By: A. Anonymous

Moshe Gerstenhaber – "Have you ever seen a retired tiger in the jungle?"

This is not a conventional book. Moshe Gerstenhaber calls it a 'Manifesto', and that is a quite appropriate label. Gerstenhaber has a mission to better the cause of pensioners in the future, and has a deep personal belief that all the recent discussions of pensions, both in the UK and elsewhere, have not really addressed the fundamental problem with most governments' current approaches to their provision and funding.

The basic problem at the heart of the pensions dilemma is that people in the developed countries are living longer, and starting paid employment later. **1*** However, despite increasing longevity, recently many have sought (or been encouraged by their employers) to retire earlier Thus the ratio of those in work to those not in work increases from perhaps 1 in 4 to towards 1 in 1 – a figure which some Scandinavian countries anticipate reaching in the near future. **2*** The result is that the idea that those in work can support the pensions and public services burden of those not in work becomes totally incredible. **3***

In the face of these demographic and societal trends, Gerstenhaber contends that most of the proposals for pension reform so far advanced essentially have involved incremental change to a system that increasingly is not fit for purpose **4*** (for example raising the retirement age by two or three years or adding a few tens of percentage points to the standard retirement pension over the next thirty or forty years). He argues that a new pensions paradigm is needed, and then goes on to outline one, in exhaustive detail and with extensive examples of how it would operate.

Gerstenhaber's new pensions paradigm rests on ten components, which he refers to as the 'Ten Pillars'. These are described in detail, and together form the basis of his Manifesto. Gerstenhaber lived in the UK until recently, operating successfully as an entrepreneur and businessman, and it is understandable that the financial figures needed to illustrate the effects of his Ten Pillars are drawn from UK economic performance data. However, the pensions paradigm he advances in principle is applicable to any developed economy, and the book contains many references to pensions debates in other countries. These show that they too are facing similar problems to those that face the UK, and also are searching for ways of addressing them.

As he works through the mechanisms needed to implement his new pensions paradigm, Moshe Gerstenhaber shows through examples and detailed calculations how his approach would generate for pensioners vastly increased incomes, not just compared to today's State Pension but, for the majority, also when compared to their working wages and salaries. **5*** He also argues that the new savings and investment bodies that he proposes must be created to manage his new pensions system will have an extremely beneficial impact on the performance of firms, and thereby on the performance of the whole UK economy. He holds out the prospect of a golden future, not just for newly wealthy pensioners but for the economy as a whole. **6***

Why then should his proposals not be accepted and implemented with alacrity? As in most grand designs, much of the devil is in the detail. Working through the proposals identifies many points of classification/definition that might turn out to be controversial or difficult to administer. Thus children in 'poor' families would receive greater initial investment at birth and in their early years. **7*** Gerstenhaber offers a pragmatic definition of 'poor', which does not accord with many of the more official definitions of poverty, **8*** but does not suggest how changes in status over time might be handled (for example the 'poor' who become 'rich' or the 'rich' who through adverse events become poor.) **9*** There are other such issues within the proposals. So there is much to discuss and debate about the machinery of the proposed system.

But this is probably not the major debating point. Machinery can be modified, tuned and oiled. Values, principles and behaviours are likely to be less malleable. Gerstenhaber proposes a revolution – a system that cannot be trialled in a limited fashion but which must be adopted wholesale. **10*** And added to its all-or-nothing nature is the incredibly long timescale (judged against the normal timescale of changes in today's society) that it would take for the system to become established. It would take approaching seventy years for the full force of the new paradigm to be unleashed, **11*** and there must be serious doubts that any experiment would be given that long before its success or failure was evaluated. **12*** Nor is it totally clear how the very pressing transitional problems of today's pensioners, and those becoming pensioners in the intervening decades, would be financed and managed. **13***

Over and above this are the changes in behaviour that the new paradigm requires, both from the politicians and the people. **14*** Gerstenhaber suggests, in effect, that pensions provision should be removed from governments' hands, and placed in the care of independently managed 'supertrusts'. **15*** Not only does this raise questions about where the necessary investment expertise might be found (especially given the often-voiced criticism of 'short-termism' by the investment community and the stock markets) **16*** but there would also be many questions about the accountability mechanisms and corporate governance of the supertrusts. **17***

The challenge for politicians is even greater. Would any government accept, willingly or unwillingly, a self-denying ordinance over pensions; **18*** to keep their hands off the vast sums of money being accumulated **19*** and recognise that the supertrusts would probably have more influence on the performance of the economy that any government would have? **20*** For this is what the Manifesto requires.

There is also a challenge to the future pensioners. At a time when the dominant behaviour seems to be "I want it now, and I'll pay for it later (or perhaps never)" they are being asked to defer instant gratification and to invest significant sums for their future prosperity as pensioners. **21*** Some, reviewing the Manifesto's proposals, will consider that these challenges are too great, and that the changes needed for successful implementation are just too much to expect. **22***

Underlying all this is perhaps an even greater problem. Moshe Gerstenhaber's proposals are based on a deeply held set of beliefs, about the importance of personal responsibility, the work ethic, and the place of the wider family as a support mechanism and perhaps safety net. In an era when society, if not broken, is at least severely fractured, and where in many households the concept of family is detectable only by its absence, Gerstenhaber's prescriptions may be seen as unworldly and even anachronistic. **23***

And yet… This book does offer a powerful wake-up call. If anyone still needed convincing, both about the magnitude of the pensions challenge and the total inadequacy of the sort of tinkering current governments propose, then look within. The scale of the problem is graphically displayed. And Gerstenhaber can point out that elements of his Ten Pillars already exist, albeit limited in scale – for example in Child Trust Funds, and in some of the newer Investment Funds. **24***

Therefore, if people come to the view that Moshe Gerstenhaber's Manifesto is too ambitious or unrealistic, **25*** the onus is on them to provide a more workable alternative – and that will not be easy. This book is not a comfortable or comforting read. But given the author's passionate commitment to improving the lot of pensioners in the future it deserves to be read and debated widely.

Note:
The numbers added to the book review text correspond to the numbering used in the Ten Pillars Comments to the Book Review – see pages 182-195.

Have You Ever Seen A Retired Tiger in The Jungle?

Ten Pillars Comments to the Book Review

Original Review by: A. Anonymous

1. *"The basic problem at the heart of the pensions dilemma is that people in the developed countries are living longer, and starting paid employment later"*

    - Comment: A longer life and better education are positive and welcome societal developments. The challenge to society and the individual arises when we recognise that the combination of longer retirement years and a reduced number of working years make it necessary, under present pensions systems, for the individual, employer and State to make much larger on-going pension contributions. Unfortunately, at present time we already have substantial numbers of people (in the UK some 46% of the working population) who are not saving for their retirement years and who will be totally dependent upon the meagre State Pension during their long retirement years.

    - It is only in the last 20-30 years that the increasing average life expectancy – (and falling birth rates) have created the pensions 'time bomb'. The change in pensions' related circumstances has not had enough time to 'cascade' to everyone in society. Awareness of the significance of the pensions issue to the life of the individual and the nation, or lack of it, is at the heart of the problem. The editorial team at the Daily Telegraph summed up the situation succinctly in 2004 and wrote "***If you think pensions are dull, imagine how boring poverty in old age will be***".

2. *"Thus the ratio of those in work to those not in work increases from perhaps 1 in 4 to towards 1 in 1 – a figure which some Scandinavian countries anticipate reaching in the near future"*.

    - Comment: The Financial Times has published in September 2007 a detailed report about Finland which also states *"Finland will be the first country to experience Europe's demographic shock…Between 2005 and 2020 an estimated 900,000 baby boomers are set to leave the work force* ***or 40% of the total****… The Organisation for Economic Co-Operation and Development (OECD) says these changes mean that the number of employed workers to each welfare benefit recipient will drop from 1.7 now to 1.0 by 2030"*

      Another example is Greece where *"According to the European Commission… In 30 years for every pensioner, there will be one worker"*.

3. *"The result is that the idea that those at work can support the pensions and public services burden of those not in work becomes totally incredible"*

    - Comment: The anticipated increase in the cost of providing state pensions is expected to be an additional heavy weight upon the shoulders of the diminished numbers of the working population. For example in Finland *"Without reforms the increase in spending here required by aging could be equal to as much as 6 to 7* *percentage points of gross domestic product". And, "EU average could rise from 10.4% in 2000 to 13.3% by 2050 with wide variations from around 5% to over 20%". As far as Greece is concerned the OECD "predicts that Greece will spend* ***an additional*** *10.7% of its GDP on pensions by 2050"!*

4. *"In the face of these demographic and societal trends Gerstenhaber contends that most of the proposals for pension reforms so far advanced have involved incremental change to a system that is increasingly not fit for purpose..."*

- Comment: Two examples from the UK may help illustrate the point made:

  The Department for Works and Pensions has announced in May 2007 that *"according to our latest revised projections, under our reform* ***someone on low*** *income who retires in 2050 with full contributions record can expect to get £145 (per week) from the state pension in 2007/8 earnings terms. This is almost 20% more than a similar pensioner retiring today can expect"*

  - Whilst the additional pension benefit will still leave the pensioner without an adequate 'living wage' the overall tax burden is not going to be sustainable; "by 2050" says the Observer Newspaper –

  "Turner estimates just maintaining pensioner's current standards of living will cost another £57 billion (p.a.). Does that inevitably mean higher taxes?"

5. *"... Gerstenhaber shows through examples and detailed calculations how his approach would generate for pensioners vastly increased income, not just compared to today's State Pension but, for the majority, also when compared to their working wages and salaries"*

- Comment: The growth power of capital amounts invested at birth and allowed to compound relentlessly to a retirement age of 70 and where remaining balances continue to grow until the individual dies is truly mind boggling. For example: every pound invested at birth will provide the individual with **2.22 pounds in pension income every year for 20 years** – which means every pound invested at birth will provide £44.4 of pension income in total (4440%!).

  The power of long term compounded growth is at the heart of the promise of the Ten Pillars Programme. The example provided makes it clear that the total life time cost of providing a pension under the Ten Pillars Programme is a fraction of the cost needed under the present pension system. (The above example is based on 5% p.a. net compounded growth to age 70 and further 5% p.a. net growth on remaining balances).

  The specific pension income which the Ten Pillars Programme will be able to provide to **each individual** will depend upon and be determined by the overall personal contributions circumstances of that individual. Nevertheless, the Government Grant at Birth, (Pillar One) and Government First Job (s) Pension Subsidy (Pillar Six) and the Compulsory Minimum Pension Contributions by both Employee and Employer (Fourth and Fifth Pillars) which will apply to all future pensioners will ensure that each individual will receive (subject only to actual investment growth) a good 'living wage' pension. Individuals who have been on fairly low income levels throughout their working career are likely to receive a pension income exceeding their 'work time income'. For example: an individual who was on £20,000 p.a. income for 45 years (to age 70) could expect to receive a pre-tax annual income of £42,000 (for 20 years) or twice their previous annual income (example detailed on page 94). Should the expected life projection of the individual be lower than 20 years the individual could receive a higher annual income.

The pension income to be expected by individuals who have enjoyed above average 'in work' income – but who did not care to make greater pension contributions (other than their Compulsory Minimum Pension Contribution) – is still likely to match or exceed their full 'in-work' income but will not be 'double' the income received by the low paid. The example on page 95 shows that an individual on £50,000 annual income for 45 years could look forward to receiving a £59,000 p.a. pension for 20 years (years 70-90).

6. *"He also argues that the new savings and investment bodies that he proposes must be created to manage his new pensions system..."*

- Comment: It is projected that in the UK some £5.643 billion p.a. will be raised via the Special Levy taxation and handed over to a Super Trust to invest, grow and compound for about 100 years i.e. until the last pensioner who has had a 'stake' in it has died. This is a new concept because until now, with the exception of the very rich family, the public could not participate and benefit from the enormous power of using very long term compounded investment growth especially when it is also coupled with very low fees and costs level.

"... will have an extremely beneficial impact on the performance of firms, and thereby on the performance of the whole UK economy..."

- Comment: The Super Trusts will not concentrate their effort simply on 'playing' the Stock Exchange and therefore will not be subject to the inevitable fluctuations in asset values which have been devastating pension yields. The Super Trusts will aim to own major economic assets directly and manage them prudently, imaginatively and successfully over the long term. The Super Trusts will 'only' need to produce a consistent 5% p.a. 'cash' return on all shareholders funds employed in order to deliver the vision of the Ten Pillars.

"... he holds out the prospect of a golden future, not just for the newly wealthy pensioners but for the economy as a whole"

- Comment: There are a number of reasons to believe that a growing Ten Pillars Programme (say latest 40-50 years from launch) although not yet fully matured will have a very positive impact upon the national economy; and that's years before the Super Trusts start to pay the enhanced pensions (the bulk will be due after 70 years – for each Super Trust).

  - The Super Trusts and their prudent, solid, long term investment strategy are likely to reduce the intensity of the national economic cycles. On the basis that all the democratic nations of Western Europe, and the USA, Japan, Australia, Israel, etc will have adopted the Ten Pillars Programme – one could expect the frequency and intensity of the global economic cycles to be much reduced. Nevertheless, as long as much of the world, say 5 billion people, will not participate in a Ten Pillars Programme of their own it is unlikely that the global economic cycles would be eliminated. All we could hope for is that they will be reduced in frequency and prove less violent. It is likely that the economic value devastation, experienced in 2007/8, will be judged to have been 'man made' and we can only hope that such economic pain will not be as frequent in a Ten Pillars Programme future.

- The constant productive investment by the Super Trusts would create excellent employment opportunities. The Super Trusts would only invest in income producing, cash flow generating real assets. The products and services provided by the Super Trusts would offer value for money and be targeted to meet real needs of real people. Much of the 'financial wizardry' of the past few years – which ended up devastating giant banks as well as eliminating the 'fortunes' of small investors – is destined to disappear. We should be able to witness the emergence of a vibrant market economy which was designed to serve the needs of its customers and not just satisfy the greed of some bankers or irresponsible stock exchange manipulators.

- Since each Super Trust will be directly owned by the two million children of the specific generation whose Special Levy Grant Funds have been invested with (UK) we could say that the Ten Pillars Programme is helping us build a new type of society and economy i.e. a community based on Democratic Capitalism

• Once each Super Trust reaches age 70 i.e. becomes fully matured and starts dispensing excellent 'living wages' to all its pensioners (some pensioners may have started drawing pensions earlier due to ill health or when their overall contribution accumulated will have exceeded certain levels) the substantial income provided is likely to be used by the pensioners to buy products and services to ease the burden of age. The additional financial resources available to a large number of pensioners will help create new jobs for both young and middle aged people (and some pensioners). These new jobs could be crucial in Western Europe and other countries at a time when today's 'developing world' will have developed to the point where it had 'taken' a 'big slice' of the world employment cake to its own shores. The services which the pensioner will require especially between the ages of 70-90 and beyond are likely to be mostly local in nature.

7. *"... thus children in 'poor' families would receive greater initial investment at birth and in their early years..."*

• Comment: Research is quite clear that 'children of the poor' find it very difficult to extract themselves from the 'poverty trap'. A London School of Economics (LSE) research shows that a talented child born to a poor family is likely to regress compared to a child born to a more affluent family. In addition, it is said that a child from a poor family is six times more likely to be poor age 30 than the child of an affluent family. If all of this is true; how likely is the average child of an average poor family to be making sufficient arrangements for their own eventual pension years? The Ten Pillars Programme is proposing the payment of £5,000 additional Grant at Birth funds to 150,000 UK children p.a. (20% of the children born in the UK every year). This additional grant money is expected to multiply 30 times to age 70 and overall may multiply 44.4 times when the 20 years of expected retirement are taken into consideration. By the way, the Ten Pillars Programme is also proposing the granting at birth of additional £2500 to every female – in order to allow for the longer retirement years which females 'enjoy' on average and the fact that women take time off for child rearing.

8. *"Gerstenhaber offers a pragmatic definition of 'poor', which does not accord with many of the more official definitions of poverty..."*

• Comment: It is much too early for the Ten Pillars Programme to get caught up in specific 'poverty' definitions. The Ten Pillars Programme will seek the best available advice and will settle on the definition which best assists the individual to extract herself/himself from the poverty trap.

9. *"... but does not suggest how changes in status over time might be handled (for example the 'poor' who become 'rich' or the 'rich' who through adverse events become poor)".*

 - Comment: Precisely because it is impossible to tell at birth whether the child of the 'poor' will remain poor (although research seems to conclude that most do) or whether the child of the 'rich' is not going to become impoverished at some point in time, the Ten Pillars Programme has decided to grant **every child** born in the land (to parents who are formally residents in the country) the £5000 basic grant. In addition, in order to boost the future prospects of the 'poor' child the Programme takes into account the provision of £5000 – additional grant money to 150,000 children p.a. who are born to poor families in the UK (20% of the annual birth population in the UK) and £2500 additional grant to the 360,000 females born p.a. The Special Levy has been estimated at £176 per household (the 30% 'poorest' exempted) and £100 p.a. to be paid by employers in respect of each employee. The Special Levy, as proposed, whilst a new additional tax should not be seen as an onerous one – especially in view of its projected benefits.

 - Comment: Whatever definition(s) of 'poverty' are chosen for the Ten Pillars Programme (after much study and public discussion) it is expected that account will be taken into consideration to make sure the extra grants are given to the right children and that the Special Levy exemption is withdrawn from households who successfully rise up the economic ladder. It is even possible that many households – on the whole – would be proud to pay the £176 p.a. Special Levy and that only very few individuals would seek to acquire the 'exemption' fraudulently. (£176 p.a. is equivalent to about the cost of 2.15 cigarettes a day – a packet of 20 cigarettes is assumed to cost £4.50)

10. *"Gerstenhaber proposes a revolution – a system that cannot be trialled in a limited fashion but which must be adopted wholesale"*

 - Comment: The Ten Pillars Programme might be called a Revolution, or defined more appropriately Revolutionary, in its effect on Pensioner's prosperity in the future and the changes which will be realised in the economic life of the nation. But, because it is using mostly existing economic concepts and takes a long time to mature it cannot accurately be said to be 'turmoil' or 'upheaval' making.

   In fact, it should be possible and probably quite simple to incorporate the proposals of the Ten Pillars Programme into existing national and international Economic Computer Models and track down the estimated impact upon the wealth of individuals and nations over whatever number of years the specific Computer Model is capable of providing. We at the Ten Pillars Programme believe the economic and social impact will be positive and the pace of change easy to work and live with.

   - Arthur Koestler wrote *"one is generally prepared to accept a correction of one's ideas by, say 10 percent; a correction by 1,000 percent is beyond one's capacity of immediate adoption"*. We at the Ten Pillars Programme believe that at its inception the Ten Pillars Programme does not call for a 'correction' greater than one to three percent in our beliefs and existing behaviour patterns. A Special Levy which adds up to less than 0.5% p.a. of GDP is tiny compared to the imminent **substantial additional** annual pension costs which Lord Turner referred to earlier. Nevertheless, the eventual long term positive impact of the Ten Pillars Programme upon pensioner's fortunes and the national economy is likely to be greater than the 10 percent Koestler 'indicator'. This is part of the greater 'magic' of the Programme.

11. *"... the incredibly long time scale (judged against normal time scale of changes in today's society) that it would take for the system to become established. It would take approximately seventy years for the full force of the new paradigm to be unleashed"*.

- Comment: It is correct to say that the Ten Pillars Programme has been designed for the very long term. The Ten Pillars Programme is a unique wealth creating machine; for the individual pensioner, the economy, the Business Sector and the State. The Ten Pillars Programme can achieve all of that additional wealth only by harnessing the 'compounded growth' principle and its vast power to create great new value over time. Investment growth level of 44.4 to 1 is so dramatic that very few people could honestly claim to have ever experienced it.

  The Ten Pillars Programme was designed to offer such an impressive capital growth benefit to every child born in the nation. The long time scale should not worry anyone – not even Governments. All the 'Government provided' money would be invested and reinvested in economic assets. The benefit from these investments will not need 70 years to make itself felt. It is proposed that significant economic benefits would start to 'cascade' to the Business Sector and society within 10-15 years. Positive attitude change to the pension issue could start flowing right away. The establishment of the Ten Pillars Programme is bound to make every adult much better aware of the opportunities associated with understanding and undertaking pension savings as a way of life – and the risks associated with poverty in old age.

12. *"... and there must be serious doubts that any experiment would be given that long before its success or failure was evaluated"*.

- The Ten Pillars Programme would be able to demonstrate its growing success within 10-15 years. It would not even take as long as that to examine which assets the Super Trusts have been buying and how successful they were in adding value and compounding the assets by at least 5% net p.a. (on average)

  It would also be very easy to observe whether any negative economic aspects have developed as a result of the implementation of the programme. For example; are asset costs 'artificially' high? How is the stock exchange performing i.e. is it providing new equity funding needed to expand existing firms and to exciting new companies, etc.

  It is unnecessary to talk about the Super Trusts in the language of science i.e. as if the Super Trust concept was an untested experiment for the discovery of a new speculative drug. All the elements of the Ten Pillars Programme are tried and tested – especially the power of 'compounded growth'. We know everything there is to know about investments in companies and helping them to grow. We can borrow the Warren Buffett book and learn from it. What we must avoid are the hyped short term investment strategies which have been damaging the economy for so long.

  The Ten Pillars Programme will not introduce new economic elements – except maybe the due acknowledgement of the Inverted Pensions Time Gap Principle which recognises the natural conflict which exists between the need to invest early for a future pension and the lack of ability/willingness by the individual to do so. The Ten Pillars Programme is not an 'experiment', in the full sense of the word. The Ten Pillars Programme has assembled the best which earlier sages have created over the years in economic development concepts and is proposing to take the world one big step forward. William Blake has said *"what is now proved was once only imagined"*. Well, we need now to imagine that pension poverty can and should be eradicated.

13. *"Nor is it totally clear how the very pressing transitional problems of today's pensioners, and those becoming pensioners in the intervening years, would be financed and managed"*

- Comment: 'Transition years' is a very good expression to use but only in the context that some specific change has already been initiated and therefore a known transformation is expected at the end of said 'transition years'. As the pension 'time bomb' stands at the moment we don't have any prospect of real change and therefore it is incorrect to talk of 'transition years'. On the other hand, should the Ten Pillars Programme be implemented it would be correct to discuss what action should be taken during the 'transition years' and examine what resources would be available to ease the 'pain'. The Ten Pillars Programme was specifically designed to solve the pension problem for the children born in the year it was to be established and in all subsequent years. The Ten Pillars Programme did not set out to solve our current pension problems. Nevertheless, we at the Ten Pillars Programme believe that attitudes towards pension accumulation would start to change right away and that within 15-20 years time the successful activity of the Super Trusts would help improve the economy and thereby create a bit more tax income for government; this extra money may go towards meeting the increasing pension costs of the future.

  The Ten Pillars Programme was designed to create a very in-expensive and cost effective way to solve the pension problem in the future. This could only be done by using compounded growth over the long term. Present Governments would have to deal with the problems of funding the pensions for say 3-4 additional generations (69 years) before the pension future will become much brighter. In the meantime, Governments will continue to tax the population, encourage the individual to save more, incentivise the Private Sector to dig deeper into its pockets and improve the pensions it pays. Furthermore, Governments will have no option but to delay retirement age – much sooner than it had hoped – and to age 70 and not age 67.

14. *"Over and above this are the changes in behaviour that the new paradigm requires, both from the politicians and the people"*.

- Comment: As hard as it might seem to imagine and accept, in fact there is only one major decision which Government has to take i.e. to adopt the Ten Pillars Programme (in practice and in spirit) and therefore legislate for the payment of the Special Levy (Pillar One). The Special Levy will pay the costs of the Government Grant at Birth and the Government First Job(s) Pension Subsidy (where required). Another part of the Ten Pillars Programme is the legislation for the payment of a Compulsory Minimum Pension Contribution by both the Employee and the Employer (to start some 16-18 years later). However, we at the Ten Pillars Programme believe that Compulsory Minimum Pension Contribution by both Employee and Employer must become a basic part of **any** pension programme. In many countries it is already the case. (In Australia these two items add up to **12%** of gross employees' salary).

  The introduction of the Ten Pillars Programme (which includes the Compulsory Minimum Pension Contributions) will require **less** behaviour and tax changes from the public (in the long run), than whatever pension option is being talked about including the present one. Our position is that keeping the present pension system as is (with the minor modifications the UK is proposing) will require heavy additional tax burden from the diminished working population to the extent that it is likely to impact much in the life of individuals and society including the possibility of serious social unrest and political upheaval.

Politicians would be wise to recognise and acknowledge that they are facing a two stage programme for sorting out the pensions mess. The easy one is actually the long term one i.e. the adoption of the Ten Pillars Programme. The second one is the harder one i.e. how to fund the 60-70 years transition period. We believe that Governments would have to legislate for Compulsory Minimum Pension Contributions (both employer and employee) fairly quickly although the benefits will only accrue and improve the pension income of the people who start work today i.e. in 30-40 years time. As far as the Ten Pillars Programme is concerned Compulsory Minimum Pension Contributions would be required some 16-18 years in the future i.e. after the first generation of Ten Pillars children enter the employment market.

15. *"Gerstenhaber suggest, in effect, that pension provision should be removed from government's hands, and placed in the care of independently managed 'Super Trusts'."*

- Comment: The question we should ask ourselves is how many governments would not be glad to be rid of the pensions' quagmire which threatens to engulf and drown them? The answer is probably many if not all! (Unless of course, they feel suicidal). At present paying pensions is a great liability to the public purse. Unfortunately, it is unrealistic to talk about some magic wand which could remove the current pension liability from our economy. It's here to stay **forever** – unless something creative would be put in its place. There is a Zen saying which proposes "He who seeds a thought, harvests a destiny".

  Governments are desperately in need of finding a long term solution to the pensions issue i.e. to turn it from a dramatic almost tragic problem into a great economic opportunity. The Ten Pillars Programme could take over and produce the long term opportunity; this will allow Governments to concentrate on dealing with the pension problems for the next 2-3 generations (60 or so years).

16. *"... this raises questions about where the necessary investment expertise might be found (especially given the often-voiced criticism of 'short-termism' by the investment community and the stock markets)".*

- Comment: Warren Buffett (the 'sage' of Omaha) has proven that it is possible to develop a team of people with the skills and dedication needed to produce a great deal of value over the long term. In fact, the Berkshire-Hathaway team seems to be able to produce a great deal of value most years! The Warren Buffett strategy is to recruit investment managers who are already well off and who seek to join his team for reasons other than exclusively for personal financial rewards. At the Ten Pillars Programme we are confident we too will be able to find quality people attracted to our long term strategy of value building. We are convinced that there are many professionals in society 'desperately' eager to take part and help achieve the economic and social vision of the Ten Pillars Programme. Human beings are spiritual beings as well as materially motivated creatures. The Ten Pillars Programme is offering an opportunity to professionals to join the team and to design together with us a better economic and social environment for 'man' and nations.

17. *"... but there would be many questions about the accountability mechanism and corporate governance of the Super Trusts".*

- Comment: It goes without saying that a great deal of work and much creativity are needed in order to design the operational and supervisory systems for the Super Trusts. This will be needed in order to ensure honest and sincere management of the assets and the delivery of the compounding growth of value which is required. The

Ten Pillars Programme has issued and wishes to repeat its invitation to professionals to send ideas and suggestions regarding every aspect of the proposed Super Trusts (and the other nine pillars too). Our address is www.retired-tigers.com

It is clear that whatever systems are used to launch the Super Trusts these would have to be adjusted over the years and constantly improved. However, we must make sure that the funds invested for the very first generation of Ten Pillars children too will be able to earn at least the 5% p.a. net compounded growth. One word of encouragement: The Super Trusts are expected to charge no more than 0.1% p.a. of the value of the funds under management. This means that the funds being invested would have a much better chance in principle to achieve real net growth.

18. *"... The challenge for politicians is even greater. Would any government accept, willingly or unwillingly, a self-denying ordinance over pensions?"*

- Comment: At present having to fund the cost of providing pensions is a great liability for Governments – whether in the UK, Finland, Greece, France, Italy, etc, etc. Why would some Government wish to retain such impossible liability? Ad infinitum? Moreover, we cannot continue to talk about the present pension systems being maintained for any length of time – without courting financial, economic and social disaster on a huge scale. Governments have to bite-the-bullet and introduce a new pensions paradigm. Fortunately, the Ten Pillars Programme is almost a 'painless' solution. The total cost is less than 0.5% p.a. of GDP – and could be financed by introducing a tax on each household to the tune of £176 p.a. (UK) (the 30% poorest households exempted) and £100 p.a. per employee to be paid by the respective employer. Hardly a very difficult 'window of opportunity'.

  Short sighted Politicians might refuse to take the Ten Pillars Programme option today, but, they might be forced to embrace it by their citizens a few years down the road – when the rising flood of growing 'pension costs' starts drowning the nation. Unfortunately, the overall cost is likely to be much higher by then.

19. *"... to keep their hands off the vast sums of money being accumulated".*

- Comment: The greatest fear we do have at the Ten Pillars Programme is precisely the risk that some time in the future a distressed Government might try to tap the compounding investment funds and either ' borrow' them or tax them (beyond taxing the profits of the 'investee' companies in the normal way). Yes, in life we must make decisions and must make choices. It is a risk that some future Government may attempt to raid the Super Trusts. Is this, therefore, a good enough reason not to embark on the 'yellow brick road' in the first place? We believe the answer is self evident. Society must launch the Ten Pillars Programme and rely upon the citizenship and the power of the nation as a whole to rise and stop future Governments from 'stealing' the money which in law would clearly belong to the approximately 2.2m different people who will be the direct owners of each Super Trust.

20. *"... and recognise that the Super Trusts would probably have more influence on the performance of the economy than any government would have?"*

- Comment: It has been shown again and again in the past 20 years that Governments are very bad managers of the economy. Before the UK had privatised British Airways the company was losing a great deal of money which the tax payer was providing. Before the UK privatised British Telecom the Company was losing a great deal of money which the tax payer was providing and it was difficult to have a telephone installed and/or obtain reliable support services. There are hundreds of such examples. The same experience has been seen in many countries. This is not to say that the 'forces of the market' are in perfect harmony at all times with the spirit and needs of man. Often, the dissonances in economic matters are the result of greed by man himself. Yet, the market and the power of customers willing to buy certain products and/or services and not others are better at making decisions regarding who thrives and who fails in the long term.

All the Super Trusts will be owned directly by future pensioners. Each Super Trust will contain the Grants provided to the children who were born during a 3 year period. This means each Super Trust will be owned by some 2.2m different individuals (UK). There are going to be scores of Super Trusts competing with each other. This proliferation should ensure that market forces and open competition will sharpen the performance of the managers put in charge of each Super Trust.

It is true that we believe that eventually the Super Trusts will make it possible for future Governments to focus on specific responsibility areas such as National Strategy, Foreign Relations, Security, Education Strategy, etc and leave the economy to the global market place, the customers, the Business Sector and the Super Trusts. The Super Trusts are expected to provide a great deal of stability and restrained creativity. Governments should be pleased to rid themselves of both the responsibility for funding pensions or having to 'control' the economy. In fact, the UK has given the Bank of England its independence so it could decide the interest rates which would be most appropriate for the economy. At the moment the UK Government impacts the economy mostly by the level of borrowing which it requires (deficit financing), education, infrastructure projects which it initiates , the NHS, security and possibly funding and subsidising economic activity which has a long term orientation which the market prefers to ignore in its rush to achieve short term profits.

21. *"There is also a challenge to the future pensioners. At a time when the dominant behaviour seems to be 'I want it now, and I'll pay for it later (or perhaps never') they are being asked to defer instant gratification and to invest significant sums for their future prosperity as pensioners"*

- Comment: It is important for the reader, who wishes to fully understand the Ten Pillars Programme, to separate the two following issues i.e. How Governments and individuals could deal with the provision of a 'living wage' pension to all citizens who'll be due to retire within up to 69 years following the launch of the Ten Pillars Programme, and separately what we call the emergence of the Ten Pillars Generations i.e. the individuals who'll upon reaching their chosen retirement age will receive their pensions via their respective Super Trust and not from Government. The Ten Pillars Programme has taken upon itself to provide an attractive and **realistic long term solution** to the pension challenge. Nevertheless, the Ten Pillars Programme activity will also be expected to have a beneficial effect upon the economy as a whole and therefore 'indirectly' 'help' Government and individuals to finance pensions for the next 69 years.

  As far as the Ten Pillars Programme is concerned the immediate cost to the new born child is nil and the maximum cost to the parents would be £176 p.a. i.e. their contribution to the Special Levy (unless they belong to the 30% of poor households which means they will be exempted). Although, the overall annual national cost is estimated in the UK to be £5.634 billion (less than 0.5% p.a. of GDP) once this national cost is shared by all the households and the employers (£100 p.a. per each employee) the distributed burden does not seem to be a difficult one – especially not when compared to the vast amounts needed to solve the immediate pensions 'time bomb'.

It needs to be kept in mind that for some 16-18-21 years after the launch of the Ten Pillars Programme the sole expense and investment is the annual cost of the Special Levy. Once the Ten Pillars Generations reach working age and take up employment each working individual will need to allocate 3% of their gross income to discharge their obligation under the Compulsory Minimum Pension Contributions legislation. At such time the employer too would have to contribute between 5% and 3% of gross salary (depending on the income level) of the individual employee.

22. *"Some, reviewing the Manifesto's proposals, will consider that these challenges are too great; and that the changes needed for successful implementation are just too much to expect".*

- Comment: It is not unreasonable to expect the reader to assume that in order to be able to achieve such a vast amelioration in the pension levels and the overall value of benefits to be received by future pensioners the state and the citizenship will have to make big sacrifices. In fact, the reverse is true! Not only will the future pensioner (70 years down the road) be likely to receive her/his own 'work time' salary (and probably double for the low paid!) the pension will come from the cash flow and profits generated by the Super Trusts and not from tax money extracted by Governments from the long suffering work force.

  As stated earlier the main challenge is the willingness of Governments (possibly encouraged by the citizenship) to pass legislation which establishes the Special Levy (a new tax) and lays the rules for the establishment of the Super Trusts. That's all that will be required right away which could be said to be painful (the Special Levy is estimated in the UK to be just under 0.5% p.a. of GDP).

  For 18 years thereafter the only action which is needed is for the Special Levy to be collected, paid to the respective Super Trusts (a new one established every 3 years) and for the increasing numbers of Super Trusts to invest the funds wisely, prudently, creatively and successfully.

  At some point in time say 15-16 years from the launch of the Ten Pillars Programme it would be necessary for Governments to legislate a Compulsory Minimum Pension Contribution to be paid by both Employee and Employer. Because of the accumulating Super Trust investments it is suggested that the Compulsory Minimum Pension Contribution could be set at a relatively low rate i.e. 3% for the employee and 3-5% by the employer (the higher level to apply to the lower paid employee).

  In fact, it is suggested that for the sake of the current generations of pensioners (those due to retire within the next 69 years) a Compulsory Minimum Pension Contribution by both Employee and Employer would be very useful (there is more value here for those due to retire in 30-69 years from now than for those due to retire earlier). However, this suggestion is **not necessary at this time** for the success of the Ten Pillars Programme.

23. *"Underlining all this is perhaps an even greater problem. Moshe Gerstenhaber's proposals are based on a deeply held set of beliefs, about the importance of personal responsibility, the work ethic, and the place of the wider family as a support mechanism and perhaps safety net. In an era when society, if not broken, is a least severely fractured, and where in many households the concept of family is detectable only by its absence, Gerstenhaber's prescriptions may be seen as unworldly and even anachronistic"*

- Comment: It is correct to say that the greater vision of the Ten Pillars Programme goes even beyond the eradication of pensioner poverty. We at the Ten Pillars Programme believe that the funds accumulating within the Super Trusts and the prudent, professional and long term investment approach to be applied to wealth creation have the potential, eventually, to reduce the extent to which violent economic cycles destroy, every so often, a great deal of economic value created over years of hard work. Furthermore, we believe that MAXILIFE, should it be designed and implemented, would have the power to improve the quality of opportunity available throughout society. However, since there is **no equality without effort in nature** even MAXILIFE would be unable to assist an individual unless s/he would themselves wish to take advantage of the facility and the personalised opportunities which will present themselves.

  The dire pensions situation which is unfolding in front of our eyes today is in part the result of the inability of the individual to spare the amounts of cash which are required as contributions throughout life in order to accumulate a sufficient capital amount. The Inverted Pensions Time Gap Principle recognises the fact that the best time, the 'cheapest' time, to start a pension for an individual is at birth. This is a serious economic fact not a utopian dream. When an amount is invested in the name of an individual at birth and allowed to compound for 70 years the potential for the increase in value is mind boggling. At 5% p.a. net compounded growth the amount will have multiplied 30 times. Assuming the individual will retire age 70 and draw her pension for 20 years the total multiplication of value will increase even further. **This means each pound invested at birth will have multiplied 44.4 times** (assuming remaining balances continues to earn 5% p.a. net of costs and inflation).

  The Ten Pillars Programme also offers an opportunity for family and friends to take advantage of the availability of the Super Trusts to invest some money at birth to the benefit of the child/pensioner. Already at birth parents hope that their child will become a healthy and well provided for person. Although the Ten Pillars Programme incorporates three Pillars which encourage family and friends to contribute to the benefit of the children, the pension which we have estimated the child could expect after 70 years **does not depend** on the additional contributions of the family. Naturally, any contribution, say even £100, will have multiplied 44.4 times to the end of the retirement period; this means that £100 will have delivered £4440 of value to the 'child'. But, the readers are able to examine examples provided (say pages 95/96) and verify for themselves that the projected pension, without the contribution of the family, would still be much larger than at present. In fact, said examples show that a relatively low paid individual could look forward to receiving, for a period of twenty years, a pension which was twice their 'at work' salary!

  The pension system which von Bismarck introduced to the world in 1889 and which we have preserved with such dedication and loyalty despite the obvious changes in average life expectancy and demographics could be said to be truly anachronistic and our inability to get rid of it – could be described as unworldly. As explained earlier, introducing the Ten Pillars Programme should be fairly painless. All a Government needs now to do is approve the Special Levy funding and the operational rules for the Super Trusts. The 'pain' which may erupt could be the pent up frustration of our own generation and the two generations to follow (altogether 69 years) who are likely to be bitter that they will have no choice and are destined to miss the Ten Pillars Programme's generous pension benefits.

24. *"And Gerstenhaber can point out that elements of his Ten Pillars Programme already exist, albeit limited in scale – for example in Child Trust Funds, and in some of the newer Investment Funds".*

- Comment: It is actually very interesting even amusing to reflect upon the fact that the Ten Pillars Programme incorporates and therefore employs a great number of elements which are an integral part of the pension industry of today. For example; all pensions require time in order for the funds to be invested and grow (compounded growth). Most reliable and sustainable pensions programmes combine the on-going contribution of both the employee and employer. All successful pensions are dependent on the investment ability of the fund manager and have to benefit from a relatively low level of management costs. All too often, a 'high' level of costs and fees strips the investment funds of much of the growth which was achieved. Every pension specialist advises clients to start their pension contribution early, to invest as much as they can afford and make a lifelong commitment to persevere: Otherwise, the pension available at retirement time may not be substantial enough to provide the individual with the level of income which they had hope to receive.

  The Ten Pillars Programme could be more accurately described as a much 'better mouse trap' rather than as a strange plan which was hatched by an unworldly 'mad' scientist. The Ten Pillars Programme combines an enlightened vision for a period when pensioners would no longer need to suffer the indignity and pain of poverty with a practical approach to economics. The Ten Pillars Programme takes the idea of the Child Trust Funds which was hatched without 'sufficient incubating time' (it was given too little money, too little time to grow and was not provided with the Super Trusts to protect it) and adds a bit of heart and a lot of vision to the simmering cauldron and creates a financial opportunity which no one in their right mind would want to waste.

  We could say that the Ten Pillars Programme offers the affluent democratic nations of the 'West' great odds for success: **44.4 to 1**.

  "Creativity is the defeat of habit by originality"

  Arthur Koestler

25. *"... if people come to the view that Moshe Gerstenhaber's Manifesto is too ambitious or unrealistic, the onus is on them to provide a more workable alternative – and that will not be easy".*

- Comment: In the previous pages we believe to have demonstrated that whilst the Ten Pillars Programme vision is all embracing in terms of the benefits which are likely to emerge in the years to come it is based, in fact, on very solid economic facts and tried and tested productive commercial practices.

  As far as being ambitious for our society and the individuals who make up our society, the Ten Pillars Programme is proud of our ambition to facilitate the eradication of pensioner poverty and in the process to help to improve the overall economic performance of nations. Furthermore, the Ten Pillars Programme is proposing the renewal and revitalisation of ethical and societal patterns of behaviour which include personal responsibility for self and others and the reinvigoration of the family unit. We believe that neither Governments nor 'market forces' can deliver on their own the complex and interdependent local and global universe which the 21st Century has become. In this context it may be appropriate to quote from Kenneth Anderson as he reflected in an article (book review) which appeared in the TLS: (25th July 2008 issue)

"The market and democracy are both sustained by wells of social capital that stable material prosperity helps to deepen, but which are not the moral logic of the market itself.

The market of the market-state is not self-sustaining. On the contrary, it requires a form of social life that goes outside it in order to function in the long term. Honour, loyalty, sacrifice, gratitude to those who came before – these are not the evident virtues of capitalism, but they are necessary virtues in a liberal - democratic - capitalist form of life. Without them, society eats its seed corn, the social capital bequeathed by the past to bless the future"

האוניברסיטה העברית בירושלים
THE HEBREW UNIVERSITY OF JERUSALEM
הפקולטה למדעי החקלאות, המזון ואיכות הסביבה
Faculty of Agricultural, Food and Environmental Quality Sciences
Institute of Biochemistry, Food Science and Nutrition המכון לביוכימיה, מדעי המזון והתזונה

July 22, 2008

"Have you ever seen a retired tiger in the jungle? Eradicating Pensioner Poverty" – THE MANIFESTO by Dr. Moshe Gerstenhaber

This is not another book written on this vital topic, it is a unique proposal that could change our world. As a scientist I am very fortunate to read and assess innovative research papers and scientific manuscripts that furnish significant breakthrough in science and technology. Yet, this is the only time I have come across a book that is both simple to digest and straightforward in its concepts, while simultaneously contains revolutionary ideas and blueprint plans that can and probably will change the wellbeing of all the people who are lucky enough to be living in affluent nations of the world.

It is rare to find a single plan that claims to eradicate pensioner poverty. The latter could be defined as a malignant disease that affects most developed countries. Moreover, to be able to perform this incredible and daunting task, without inflicting significant monetary or fiscal chaos and pain seems unachievable. Yet, Dr. Gerstenhaber's book highlights how this task is doable and obtainable: although most experts are haunted by the conviction that it is unachievable, a phantom, or at best utopia. The book introduces the reader and guides her/him through the new concept, and creates a full operational plan. It contains all the information and data that most people even those very critical that are typically equipped with extra heavy duty filters and cynicism would need to be convinced.

The book provides a step-by-step plan on how our government and the individual should progress towards implementing the proposal. The 10-pillars are not only straightforward to read, they are brought to life with unpretentious examples based on UK figures. The latter are extremely appealing and convincing. It is written in a way that both novices and experts would find engaging.

The book also provides a roadmap. If adopted, it can and will eradicate pensioner poverty. The main question one needs to raise is what we should do about this unique book. In our opinion, there is only one approach that could be recommended. Like any other scientific contribution, it should be discussed and debated, and its assumptions and calculations scrutinized and verified. One option which we cannot allow ourselves to take, if only for the sake of future generations, is to ignore it. Our utmost duty is to embrace this innovative approach and initiate sincere public debates. Hopefully the book and the deliberations that should follow will create the conditions for visionary leaders, Politician's and governments to start changing the 'fabric' of pensioner poverty in the future and provide the necessary solutions by following the 'yellow brick road' that Dr. Gerstenhaber has designed for us.

Sam Saguy

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Comments to the Book Review

By: Professor Sam Saguy

"The main question one needs to raise is what we should do about this unique book. In our opinion, there is only one approach that could be recommended. Like any other scientific contribution, it should be discussed and debated, and its assumptions and calculations scrutinized and verified. One option which we cannot allow ourselves to take, if only for the sake of future generations, is to ignore it. Our utmost duty is to embrace this innovative approach and initiate sincere public debates"

- Comment: The Ten Pillars Programme has aimed to provide a step-by-step plan and a detailed road map which we believe has the power to solve the long term problem of pensioner poverty. In fact, we believe that the Ten Pillars Programme has the potential to turn the dire 'twilight years' of many individuals into comfortable 'golden years' for all. We also believe that the growth of the Super Trusts and the large number of businesses which will be owned directly by them will make an increasingly important contribution to the overall economic well being of the nation(s). We believe that the Ten Pillars Programme will only contribute important benefits to the welfare of mankind and nations.

  Nevertheless, since we only wish to add value to society via the Ten Pillars Programme we too believe most sincerely in the need to have a serious and in-depth public discussion about the ideas presented by the programme and the economic assumptions which underpin it.

  The Ten Pillars Programme wishes to reiterate our sincere wish to receive input from the public, politicians and the professions. We wish very much to hear from professionals, individuals and organisations, with the economic and modelling skills willing and able to 'add' the Ten Pillars proposals to Economic Computer Models which are at their disposal. We would very much like to know what impact they believe the whole hearted implementation of the Ten Pillars Programme is likely to have on major economic and social issues. For example:

  - The Pensions available to pensioners in 70 years time
  - The economy (rates of growth)
  - Economic cycles
  - The availability of funds to support productive investment
  - How much of the economy (say in the UK) will be owned by the Super Trusts 70 years from launch (total value?)
  - Will there be enough investment opportunities for the Super Trusts to invest in?
  - Are the Super Trusts likely to compete too aggressively with each other i.e. will they be paying too much for assets? (Considering they have to produce at least 5% p.a. net compounded growth – on average)

- How will the Stock Exchange of the future look like (considering the Super Trusts will take 'private' most of the larger concerns)

- Will the Super Trusts actively help the development of a great wave of entrepreneurship in the country?, world? Will there be in the future generations of 'serial enterprisers' taking advantage of the on-going willingness of the Super Trusts to buy good profitable cash generative businesses?

- Will we have 'full' employment?

- What will happen to the 'purchasing power' of employees in the Ten Pillars future?

- How much of their investments are the Super Trusts going to make abroad e.g. in the developing world?

- What impact on non-pensions' savings by the individual would the knowledge that a 'nest egg' is already growing nicely (for the individual) under the wings of the Super Trusts will be having? – will the population be able to distinguish between 'life needs' savings and a Pension Plan?

- What impact on inflation are the Super Trusts going to have?

- What impact on inflation are the generous pensions being paid going to have on the economy and employment starting some 60-70 years in the future?

- What impact is the Special Levy going to have on households and employers? (£176 p.a. and £100 p.a. per employee respectively)

- How will the Business Sector react to the ideas?

- How will the Trade Unions react to the ideas?

- How will politicians react to the ideas?

- Will future politicians be able to keep their hands off the growing wealth of the Super Trusts?

- What will happen to tax levels in the years to come? How much will they have to rise to meet the short and medium term pension needs? How will this additional burden affect the working population?

- How will tax rates be affected 70 years in the future? On the basis that the Super Trusts will allow Government to focus on vision and security on the one hand (smaller government) and benefit from large flow of tax being paid on the generous Ten Pillars Pensions?

- Any other issues?

We would appreciate receiving comments and input via our web-site as follows: www.retired-tigers.com

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Dear Moshe

Thank you for giving me the opportunity to study your proposal for solving the looming pensions crisis. In my opinion this is highly original work which provides a clear and well argued way forward which is of potential national importance. The solution you suggest is truly breathtaking in its scale, scope and potential beneficial impact. I am very encouraged to know that your work is nearing publication as your proposal needs to be drawn to the attention of a wider public and fully explored as a policy option..

Yours sincerely

Jonathan Garnett

Professor Jonathan Garnett
Director Institute for Work Based Learning

From a Future Pensioner

The great thing about pensions is that it is always somebody else's problem. I'm 30, I won't retire for at least 35 years. "Next year I will start saving for retirement", I said that last year as well, but it will actually happen next year (unless I go on an extra skiing holiday instead). My government is responsible enough to make me save money for pension. It bails out pension funds and fulfils its commitment to retired employees. Eventually, it sends me the bill for this. It will also bail me out. It will send the bill to the next generation. All is well. Under the existing pensions system, as life prolongs, we can expect a long healthy retirement, but with a forced drop in expenses, and life-style. Simply put, we can expect to be poor. And even this assumes investments in stock exchanges never drop 20% in a week. Do not count on government support either: as population growth slows down, and the population grows older, there will simply not be enough working tax-payers to pick up the tab. Very talented people have improved the system. However, it seems to me that as demography and economy change, the system which was designed in the previous century becomes harder to sustain. Ignoring this problem will backlash on us, though it may take a couple of decades. Dr. Moshe Gerstenhaber's book "Have you ever seen a retired tiger in the jungle?" presents Moshe's vision for a different sustainable pension system for the 21st century and beyond. It provides a clear and concrete plan for governments to implement in order to achieve this future. While the book's name suggests a focus on pensioners' quality of life, Dr. Moshe Gerstenhaber's vision also encompasses changes in the economy, society and the way we conduct ourselves as individuals. Though the book was written in the context of the UK, the underlying principles can be discussed in the context of any western economy.

The book is not an actuary textbook and does not present complex financial structures (though it should serve a basis for some of both). It is rather an easy-to-read glimpse into a proposed future for any educated reader, and an invitation to steer society and economy in a new way. Try crunching in the numbers to find out what you as a taxpayer will have to pay for government and corporate pension commitments. Try crunching in the numbers to find out what you need to save for comfortable retirement. Estimate whether your pension is enough for your needs. You might be surprised. BTW: have you considered that medicine will prolong life beyond current life expectancy? And speaking of medicine, have you accounted for expensive medical treatments? Will your kids be any better off? Moshe Gerstenhaber's book is about taking responsibility. Taking responsibility for our own retirement. Taking responsibility for our children's economy and retirement. Taking responsibility for creating a new sustainable system for this new century. The "Ten Pillars" Program as described in the book is a unique combination of society taking responsibility for the long-term well-being of its members and of empowering individuals. Moshe's combination of existing ingredients and secret sauces is not a magical solution (though to us non-economists some elements of long-term saving might appear to be black magic), but a well-thought innovative plan allowing our generation to assume responsibility for itself and for its descendants.

Our generation should take the opportunity portrayed in Moshe's vision – if for no other reason, then to save our children from poverty. I'm as much a cynic as anyone else, but I recognize the importance and magnitude of this plan. Like most of you, I'm not an economist, but I urge you to explore this plan, to comment on it, to argue for and against it, to suggest changes and fine tuning, to suggest different weights to the different elements, to suggest what is right for your own country, and mostly – to promote the plan.

As economical regimes shift, "now is the time to integrate Moshe's vision into our future economical system". I hope that this is the last year I say this, I'm not getting any younger.

Roy Lederman
Entrepreneur, Physicist, Engineer and a prospective pensioner

Appendix III

The International Institute For The Research, Development And Dissemination Of Sustainable Pension Systems

A Global Partnership

Reshaping The Future

– A Proposal –

Global Pensions Research Network

Short Outline of the Idea

The Concept

A desire to capitalize on the innovative ideas proposed by the Ten Pillars Programme and the greater awareness of the dangers of the pensions 'time-bomb' (vast shortfalls) in order to galvanise respectable pension research institutions and funding sources to join forces under the umbrella of the proposed Research Network to produce creativity and economies of scale in the race to eradicate pensioner poverty.

Background

- The challenge of providing a 'living wage' pension to all is a 'global' challenge (billions of people) are affected

- Most developed countries and some developing countries (e.g. China) are struggling with the same pension issues i.e. extending life expectancy, growing 'armies' of retirees, the deterioration of the ratio of employed/retirees within the population (The Generations Ratio)

- A great deal of effort and funds are invested in each country independently to try and study the economic and social risks associated with the pension trends

Idea

- It is unlikely that at the moment there is a formal international structure in place in order to harness the talent and resources of all the universities and other institutions engaged in the study of the issues associated with Pensions and their impact on the individual and the economy and therefore on society

- The idea being proposed would be to invite all such institutions to join a new Pension Network to be managed from a new centre to be established – probably in Switzerland (?)

- The idea would be to 'acquire' at least one institution/university from each country of the 'Western' world and some from other countries (as available)

- The idea would be to get together in conferences, seminars and, of course, the internet in order to agree how to work effectively and productively

- The idea would be for the Network to agree subjects for research and agree which university/institution assumes which research subject. This will help avoid duplication. However, each body will be able to draw upon the expertise of the others

- Research results would be shared with the entire Network. Research results would be published

- The Network would approach Governments and offer to undertake work specifically designed for the specific Government. But, all Governments would be able to benefit from the work done throughout the Network

Employment of Funds

The Network will be researching and producing ideas, suggestions and publications to advise society how to improve the life and cash flow of people above the age of 50 who wish to adjust to the coming of their third age.

Potential Funding Sources

1. Paid Research Projects (Governments, EU, Foundations)
2. Donors
3. Sponsors
4. Fund Raising Campaigns
5. The Mentors Network
6. Conferences
7. Publications

Appendix IV

Sovereign Wealth Funds

The Global Context

– Tough Competition –

Sovereign Wealth Funds In Action

China

- *"China is seeking to diversify its holdings of more than $1.7 trillion in foreign – exchange reserves, which are mainly US treasury bonds and other fixed – income assets. It is the second – biggest foreign holder of US treasury securities, with $490 billion, according to official figures from March. Only Japan, with $600 billion, has more".*

- *"Sovereign funds will assist inexperienced Chinese companies in financing, foreign – exchange, risk management and handling trade barriers".*

- *The funds are likely to become indirect owners of big stakes in troubled financial institutions such as Lehman Brothers as they step up the pace of investment abroad".*

- *"China's secretive sovereigns wealth funds will help its state-owned companies to expand overseas in a shift of strategy after economic talks with America".*

- *The financial magazine Caijing" quoted a former official as saying the state council has authorised spending 5% of the $1.7 trillion reserves on shares in foreign companies".*

  Source: Times online/Sunday Times 22nd June 2008

"Sovereign Wealth Funds seem to have an Insatiable Appetite..."

- *"Sovereign Wealth Funds have so much money – the latest estimate is $3.3 trillion, or enough to buy around a quarter of the entire American Stock Market – that they will inevitably be first on the list for any company looking to raise funds"*

- *"Sovereign Wealth Funds are perhaps the ultimate long-term investors"*

- *"Morgan Stanley estimates that Sovereign Wealth Fund assets could rise to $12 trillion by 2015"*

- *"London – based International Financial Services says that the largest funds operate in a similar way to private equity or hedge funds, but with varying transparency and disclosure of their holdings and investment strategies. It adds that fewer than half are run by external managers and thinks that could decline further as these funds develop their own staff and international office networks"*

  Source: Guardian Newspaper (guardian.co.uk) 22nd June 2008

"Sovereign Wealth Funds: power vs. principle"

- *"The World's Sovereign Wealth Funds (SWF's) are believed already to command assets worth around $3 trillion, this figure is higher than (for example) the GDP of the United Kingdom".*

- *"... The SWF phenomenon represents a major change in the world's financial and investment markets in a way that goes beyond even considerations of this epic (and* *often suddenly acquired) scale of riches. For its significance lies also in the intellectual and policy context of its emergence; namely, that after three decades of policy, propaganda, and hype about "freeing up markets", "reducing the role of the state", and "promoting the private sector", the SWFs* ***embody a massive and unstoppable shift of influence back to what are in effect state-owned entities****".*

- *"A state-owned investment fund will behave no differently to the states of which it is an appendix"*

- *"The Gulf states in particular remain... controlled by secretive ruling families whose members regard the state, and its reserve, as theirs".*

Source: Open Democracy News Analysis: Fred Halliday 3rd May 2008

"Several EU governments have become alarmed about Sovereign Wealth Funds"

- *"China's reserves now stand at $1.4 trillion".*

- *"Morgan Stanley, an investment bank, estimates that SWFs, are now sitting on $2.5 trillion – twice the estimated assets of hedge funds".*

- *"Until recently, SWFs were largely the preserve of countries such as Norway, Singapore, Kuwait and the United Arab Emirates. These countries were generally friendly to the West, and their investments were primarily concerned with boosting commercial returns. But new actors, such as Russia's Stabilisation Fund and China Investment, are growing rapidly. China's SWF is projected to grow by £200 billion a year, Russia's by about $40 billion. The emergence of these new funds is important because they originate from potential geopolitical rivals that are less likely to play by the West's rules".*

Source: Centre For European Reform – CER Bulletin, issue 56, October/November 2007

By Philip Whyte and Katinka Barysch

"Sovereign Wealth Funds: What needs to be done

- *"... the rise of SWFs in a manifestation of a larger shift in the structure of global finance, and* ***marks an astonishing rise in the financial clout of emerging markets****"*

- *"In 2007 capital flows to these markets were at a record $953 billion while outflows were $1,600 billion – about four and six times their respective 2000 levels. Most of the outflows were central bank reserves invested in mature markets, but an increasing share has been direct and portfolio investments".*

- *"The point about diversity is that not all SWFs are created equal nor do they pursue the same objectives. SWFs have been funded in various ways from central bank reserves (China and Singapore); the export of state-owned resources (Abu Dhabi, Kuwait); taxation of exports (Russia, Alaska); fiscal surpluses (Korea, New Zealand); or from privatisation recipts (Malaysia, Australia)".*

- *"In terms of organisation and investment strategies, SWFs also differ significantly.* ***Future generations' funds create real financial wealth over the long term*** *to replace depleteable physical resources. Stabilisation funds smooth fiscal positions over the cycle. Development funds finance infrastructure.* ***Pension reserve funds meet specified future liabilities****".*

- *"... SWFs need to enhance transparency and disclosure, especially in governance and investment objectives and strategy. Domestic political considerations need to be kept in mind".*

- *"SWFs must heed concern about the expanding role of public ownership in market economies by affirming their commitment to market principles".*

- *"The continuing growth of SWFs – total assets are estimated between $2500 billion and $3000 billion, growing to $5000 billion – $8000 billion by 2012 – and the visibility of their market activities are bound to keep the debate alive".*

  Source: FT Com/Financial Times – 6th August 2008

A Battle Royal

"A battle royal is developing for some of the world's most stylish hotels as two sovereign wealth funds from Dubai and Abu Dhabi battle for control of Morgan's Hotel Group, The Times has learnt."

Source: The Times, 13th April 2008

Reflections upon the Sovereign Wealth Funds Challenge

The world already has a significant web of banks, insurance companies and other organisations which specialise in long term pension funds management. The overall value of funds which are under management by the diverse types of investment managers is vast (it is estimated at some $10 trillion). However, there are a number of aspects which are typical of all of the commercial investment managers:

1. They manage the funds for third parties

2. Mostly the funds being managed ultimately belong to a vast number of individual account holders

3. On average each individual (the end beneficiary) has under management an amount which is insignificant compared to the total being managed by their specific fund. Therefore, very few individual 'savers' can justly claim to have the ability to 'force' their opinion on the market (via their fund manager)

4. Although Pension Fund Managers are expected to manage investments for the long term their own performance is often evaluated quarterly (every 3 months). The pressure to demonstrate growth every quarter has a great influence upon the investment decisions of Fund Managers and therefore on the types of assets which they acquire

The ownership and operational profile of most, if not all, the Sovereign Wealth Funds is very much different to the type of Pension Fund Management company which we are familiar with. For example:

1. The Sovereign Wealth Fund is owned by the 'State' rather than by hundreds of thousands or even millions of small savers or shareholders

2. All too often the Sovereign Wealth Fund, although formally owned by the State, is in fact 'owned' or 'controlled' by an individual i.e. the Sovereign himself or his extended family

3. Considering that the 'Sovereign' may actually be a feudal leader lording over the nation it is clear that however benevolent his intentions may be the investment and management decision making process is vastly different and may lack any resemblance to the accountability and transparency standards which we expect these days

4. Unfortunately, quite a few of the Sovereign Wealth Funds are owned or controlled by individuals with a very clear political and/or religious agenda. The fact that hundreds of billions even trillions of dollars are controlled by individuals who may be motivated to make investment and subsequently management decisions which are not necessarily purely commercial is a new element in the development of the global investment market in the 21st Century

5. The Sovereign Wealth Funds which are generating their wealth from the sale of petrol, are increasing their cash reserves at an incredible rate. The total amounts which are expected to be accumulated by the energy exporting nations within the next 10 years are likely to eclipse anything the world has known previously. ("Morgan Stanley estimates that Sovereign Wealth Funds assets could rise to $12 trillion by 2015")

6. The cash rich Sovereign Wealth Funds will seek to preserve the value of their cash reserves. The questions we need to ask are: which assets will they seek to acquire, how will these assets be managed and what impact upon the local and global economy will their investment and management philosophy have?

   For the moment (June 2008) the Sovereign Wealth Funds have helped stabilise the global financial markets by buying new equity issued by major banks in an effort to repair their damaged balance sheets. This is good news. The question to ask is to what extent the Sovereign will choose to 'interfere' in the management of the organisation and have the power to decide the future direction of these important global banks?

The Super Trusts which will emerge as a crucial part of the Ten Pillars Programme have been designed to receive and manage the Special Levy grants, as well as, the Compulsory Minimum Pension Contributions, etc. The investment philosophy of the Super Trust will be very clear: Long term investments in productive, profitable and cash generative businesses. The Super Trusts will acquire good assets and will own them outright for the very long term. The only time a Super Trust will be selling any of its assets would be when the management will decide that the specific industry may be in decline or a better opportunity will have presented itself. The time when substantial sales will be taking place would be when the respective Super Trust has reached maturity i.e. it starts paying Pensions to its 'owners' and needs to realise assets in order to raise the cash. It is very likely that 'mature' Super Trusts will be selling much of their assets to 'younger' Super Trusts still in their asset acquisition days.

The expected rise of the Super Trusts (hopefully in many 'Western Countries') may just have the 'muscle' to provide a counterbalance to the voracious asset acquisition ability of the Sovereign Wealth Funds. Unfortunately, as mentioned earlier whilst the Super Trusts are still in the conceptual stage the Sovereign Wealth Funds are real, very real.

Appendix V

Need we say more...?

Source: Mailonline article 25th August 2008

Comparing Notes

1. According to the Mailonline 25th August 2008 article (written by James Salmon and Ian Drury):

1.1. **"It would take the average private sector worker on a salary of £25,000 p.a. 46 years to get a pension of £10,000 a year."**

1.2. **"A public sector worker could achieve this in 24 years."**

2. A major transformation: The Ten Pillars Pension

According to the Ten Pillars Programme calculated projections an average private or public sector worker on £20,000 salary p.a. would have to work full time for 45 years but could look forward to a pension of £42,000 a year – from age 70 to age 90.

(According to the article, at present a civil servant on £25,000 p.a. salary would have to work 60 years in order to obtain a £25,000 p.a. pension).

MailOnline

news

Final salary pensions now 'extinct' for private sector workers – as state staff enjoy 'gold-plated' deals

By James Salmon and Ian Drury

Last updated at 10:52 AM on 25th August 2008

Lucrative private sector final salary pensions are on the verge of extinction with four out of every five schemes now shut to new employees.

Increasing life expectancy, spiralling costs and plunging stockmarkets have forced thousands of employers to close these schemes in the last year.

The figures highlight the widening divide between private and public sector workers who enjoy 'gold-plated' pensions funded by the taxpayer.

Pensions divide: Paying for public sector pensions could leave private sector workers short in their own retirement

A separate report by the Office for National Statistics showed the number of public workers in final salary schemes has ballooned to an astonishing 5.2million – the highest level since 1991.

Findings by Aon Consulting revealed that in the last year the number of private sector schemes open to new members dropped from 27 per cent to a record low of 17 per cent.

The figures came as financial experts warned that private sector workers will soon pay more into the pensions of civil servants than their own.

An analysis found that private workers contribute 91p towards the retirement of town hall staff for every £1 they invest for themselves.

This figure, however, is expected to rise as unions sew up deals to safeguard the 'gold-plated' retirement deals.

It would take the average private sector worker on a salary of £25,000, 46 years to get a pension of £10,000 a year. A public sector worker could achieve this in 24 years.

Dr Ros Altmann, a leading pensions consultant, said: 'There is a pensions aristocracy. Public workers are paid more and earn more in pensions, which are paid for by the taxpayer.

‘I don’t think workers realise the value of these pensions or the burden this will have on future taxpayers at a time when pensions prospects have declined significantly.’

Final salary pensions give a guaranteed annual income based on the number of years an employee has worked for a firm and their final salary when they retire.

The longer they live, the more the scheme has to pay out.

How do you fare in the great divide?

The years required by MPs and civil servants on final salary schemes and private sector workers in defined contribution schemes to earn the same pension

Pension amount	MP on £60,675 p.a.	Civil servant on £25,000 p.a.	Private sector worker on £25,000 p.a.
£25,000 p.a.	16.5 years	60 years*	69 years*
£20,000 p.a.	13.2 years	48 years*	64 years*
£15,000 p.a.	10 years	36 years*	56 years*
£10,000 p.a.	6.6 years	24 years*	46 years*
£5,000 p.a.	3.3 years	12 years*	33 years*

* These figures are theoretical because it’s not realistic for someone in the public or private sector to work or pay into a pension for this length of time

Many companies have switched to defined contribution schemes which are cheaper to run because the amount they pay out is based on the size of the employee’s pension pot and the growth of the stockmarket.

In 2007-08 alone £29billion of pension promises were made to public sector workers.

However, they contributed only £19billion towards this.

Matthew Elliott, of the TaxPayers’ Alliance, said: ‘It’s unfair for private sector workers to be forced to pay more into public sector pensions than they can afford to save for their own retirement.

‘The gold-plated pensions enjoyed by the public sector are outdated and totally unaffordable.’

Pensions experts have accused the Government of underestimating the scale of the problem.

The Institute of Economic Affairs has warned that the liabilities – the amount that would be needed if all public sector pensions were paid out today – will soar in coming years to between £1,100billion and £1,200billion by 2010.

As shown by the table here, MPs fare particularly well when it comes to pensions, even though they have to contribute 9.5 per cent of their salary into their schemes.

APPENDIX VI

THE PENSION TRANSITION YEARS

WHAT COULD GOVERNMENTS DO?

(for the generations prior to the first Ten Pillars generation)

The Pension 'Transition Years'

What could Governments do right away?

STEP ONE

The Education Process –

- Tell the citizenship about the benefits which the Ten Pillars will bring to the individual and the nation including the new economic paradigm i.e. Democratic Capitalism(via the Super Trusts)

- Tell the people that the Government will introduce new ideas for the long 'transition years' too

- Explain to the nation the enormous power of very long term compounded growth

STEP TWO

1. Grandparents and Parents transferring pension assets to the next generation –

- Government to encourage the transfer of pension assets (with a strict maximum) to children and grandchildren 'tax free' (not only to the first generation of grant recipients)

- The investment should go to a dedicated Investment Trust which will invest for long term growth – the funds will be pension dedicated only. (The funds could be invested by the SuperTrusts themselves once established)

2. Delay Pension Age to 70 –

- This could be controversial because the cost burden (of keeping people another 5 years in employment) falls on the employer. (Possibly a third party specialist could test each individual to approve the health and mental state of the individual)

- Allow the individual to retire at 65, draw a partial pension and do part time work paying a lower tax rate on the part-time earnings

3. MAXILIFE – Government(s) to fund the development of the concept

- MAXILIFE, as envisaged, (see the Tenth Pillar) has the capacity to vastly improve the life cycle productivity of each individual

- Government could speed up the process

- The first Super Trust too could participate in the process

4. Government First Job(s) Pension Subsidy –

- The Ten Pillars Programme envisages that this function will commence when the first generation of grant receiving children will start working (about 18 years after the launch of the program). At such time the cost will have been incorporated into the Special Levy

- During the 'transition years' the Government would have to pay the cost itself

5. Compulsory Minimum Pension Contributions –

- Government could legislate it right away

- Government could dictate the starting level (to change/reduce with the launch of the Ten Pillars Programme)

- Both Employee and Employer would be obliged to contribute every month (the funds will be invested for the long term and dedicated to the pension of the individual)

- Under the Ten Pillars Programme the Compulsory Minimum Pension Contribution is required about 18 years after the start of the programme (when the 'children' start work)

6. Work Based Learning/Life Long Learning –

- Government to sponsor/encourage private providers of quality internet based learning

- The learning will help 'up skill' the whole work force (ongoing activity)

- MAXILIFE will take over the coordination of this responsibility once launched

APPENDIX VII

WHICH ECONOMIC SYSTEM DO WE DESERVE?

THE CHOICES WHICH ARE AVAILABLE TO SOCIETY

“You cannot be serious”

Winston Churchill wrote *“It has been said that democracy is the worst form of government except all the others that have been tried”*

It is clear that every political and economic system has its flaws and some are far more dangerous than others. For example; the Nazi Third Reich devastated Europe and sacrificed tens of millions on the altar of its perverse ambition to dominate the world – whatever the cost. Equally, the Communism of the Soviet Union was eager to ‘share its revolution’ with the world and in the process cost the lives of tens of millions of its own citizens and brought misery and death to hundreds of millions elsewhere. The same ‘story’ repeated itself in China, Cambodia, etc. etc.

Every nation must adopt a political and economic system which has its own rules and operating systems in order to survive. A nation where the citizens are unable to understand the ‘rule of law’ which is supposed to protect them from arbitrary activity by State and fellow citizen will be doomed to anarchy and eventual failure.

It is possible that overall Churchill had a better opinion about the qualities of democracy than the stated one but that he had exaggerated to make a point regarding the need for society to adopt the best possible system which is available to us. In the same vein, we may be tempted to say that the Ten Pillars Programme may not be the ‘best thing since sliced bread’ but that it seems to be the best economic option which is currently available – if we truly **wish to choose** to try and eradicate pensioner poverty.

If our society is ‘**serious**’ about finding a working solution to the pensions ‘time bomb’, and in the process to take advantage of the opportunity to boost and restructure the economy, we have the obligation to invest the time and effort needed to understand and properly assess the Ten Pillars Programme proposals. Furthermore, should we be able to satisfy ourselves after this in-depth investigation that not only the Ten Pillars Programme is a practical practice-based programme which will deliver its promise but that it is after all the ‘best thing since sliced bread’ we must ‘bite-the-bullet’ and undertake whatever is necessary in order to get it implemented without further delay. ‘**Time is of the essence**’.

What angers the individual who is obliged to watch helplessly from the sidelines as the 2008 'financial meltdown' is taking place?

Some of the comments being made

- Will I lose my job?
- Will I need to take a pay cut?
- Will I have to pay higher taxes?
- How will all the upheaval affect the future funding of public health (UK National Health Service)?
- Will I lose the savings I have in the bank?
- How will the fall in the value of shares affect my pension prospects?
- The 'fat cats' are getting away with 'murder'
- Is it true that capitalism does not work? What is the alternative?
- A 'Command Economy' was always a failure. Will Governments now once again enthusiastically embrace greater centralised powers? (Will we jump from the frying pan into the fire?)
- Will Governments further increase the public sector in their effort to control the economy? Who will pay the high public sector pensions Governments are committed to?
- If the banks are failing who will provide working capital and investment capital to the Business Sector especially to the SME's?
- If the 'bail out' is costing trillions how long will it take to clear this debt? Will it ever be cleared? How will Governments deal with the funding issues? Will I have to pay for it (in higher taxes? Reduced services?)?
- How come the regulators were unaware of the **impending** 'meltdown'?
- Will inflation have to soar because of vast Government deficit financing? Will we have higher inflation as consequence? Will this inflation further destroy the value of my savings and pension?

- Is there in truth an economic model which works better than a Market Economy?

- How can the citizenship and Government make sure we learn our lesson, draw the right conclusions and develop a new economic model which works? How can we avoid going through the same pain in a few years time? (last time was some 8 years ago)

Autumn 2008 Events

Overview

The financial turmoil has quickly metamorphosed itself into a battle of economic and political dogma

- **"Sarkozy Stresses Global Financial Overhaul"**

  - *"A certain idea of globalization is dying with the end of a financial capitalism that has imposed its logic on the whole economy and contributed to perverting it…"*

  - *"The idea of the all-powerful market that could not be contradicted by any rules, by any political intervention "… was… "a crazy idea" … "the idea that the market is always right is a crazy idea"*

  - *"The crisis isn't over, and the consequences will be serious…"*

  - *"We've just passed two fingers from catastrophe. Self regulation, to fix all problems, is over. Laisser-faire is over"*

- *"Mr. Sarkozy emphasised that he was deeply engaged in trying to manage the crisis and would pursue his main economic reforms… but his speech, while long on rhetoric about the abuses of capitalism was short on specifics, especially on regulation and improving the global system"*

  Source: The New York Times, 26th September 2008, By Steven Erlanger

- ***"Power Plays: How Free Should a Free Market Be?"***

  - ***"Is this the end of hyper capitalism?"***

  "For nearly a generation, the United States has driven growth by deregulating markets, lowering tax rates and promoting trade. Across wide swaths of the economy – from airlines to banks to energy to telecommunications – Washington stood aside, believing less regulation would produce broad prosperity, even at the cost of greater income inequality.

  Now, with Washington setting aside $700 billion to bail out financial companies, the economy weakening daily and the Democrats likely to enlarge their majorities in Congress, it may seem that the United States is shifting away from faith in markets and distrust of government.

  In Europe, some political leaders, including conservatives like President Nicolas Sarkozy of France, have declared the death of laissez-faire economics. "A certain idea of globalization is drawing to a close with the end of a financial capitalism that imposed its logic on the whole economy," Mr. Sarkozy said last month *"The idea that the markets are always right was a crazy idea."*

- *The most recent poll by CBS News… shows that whatever their anger with Mr. Bush and Wall Street, Americans are not necessarily ready to embrace liberal ideas such as stronger unions, significantly higher and more progressive taxes, and new trade barriers."*

- *"The inflation and severe recessions of the 1970's fuelled the last major ideological shift in American politics with the election in 1980 of Mr. Regan, a fervent apostle of lower taxes, free markets and deregulation".*

- *"The relatively mild recessions of 1990 and 2001 did not shake Americans' faith in free-market principles, said Robert D Reischauer, president of the non partisan Urban Institute. Mr. Reischauer directed the Congressional Budget Office between 1989 and 1994, when Democrats controlled Congress. Similarly, this recession will probably not produce a major shift, unless it turns out to be much longer and more severe than economists expect, Mr. Reischauer said."*
  "We're basically a conservative country," he said. "And one would expect that to be the case when one has as much stuff as we have to conserve."

- *"Doug Schoen, a Democratic strategist and pollster who worked for President Bill Clinton for six years, said that should Mr. Obama win next month, he should not mistake his election for a mandate for sharply higher taxes on the wealthy or major government expansion. "The polling I've done shows that people are anti-Republican, not pro-left, not pro-redistribution," he said. "They're ever more sceptical of Washington."*

- *"Americans are fundamentally suspicious of government in a way that Europeans are not, a cultural and political difference that stretches back centuries. Anyone expecting a major expansion of Washington's powers after November – whether under a Barack Obama or John McCain administration – may be disappointed."*

- *"You have to convince a country that watched Katrina, that watched Baghdad, that watched Fannie and Freddie, now the answer's going to be to pile more junk on top of the junk we already have," Mr. Gingrich said of new government programmes."*

- *"Some Democrats think that Americans are ready for at least a moderate turn to a more activist government. Lawrence Summers, who was secretary of the Treasury under President Clinton, said that even before the financial crisis, Americans were concerned about income inequality and the cost of health care, and increasingly aware that those problems cannot be addressed by market solutions alone. Indeed, in a poll in August by the Pew Research Center, 63 percent of Americans said they favoured government-guaranteed health insurance, even at the cost of higher taxes, while only 34 percent opposed it."*
  "There has been a substantial change in the intellectual climate, "he said. "It's a change that antedates the financial crisis, and I think it will only be reinforced by the financial crisis."

- *"Jeffrey Garten, a professor at the Yale School of Management who was an undersecretary of commerce in the Clinton administration, said lawmakers are likely to impose stricter regulatory oversight on several industries – especially financial companies and markets. Having established itself, at great expense, as the financier of last resort, the government will no longer blithely accept banks' assurances that they are safe, Mr. Garten said. Instead, Congress will give the Securities and Exchange Commission and the Federal Reserve new powers to oversee financial institutions, Mr. Garten said."*

"The government's going to be inside them," he said. Mr. Garten also said he expected the F.D.A. and Consumer Product Safety Commission to receive increased funding and stronger oversight powers. "The whole issue of food and product safety – it's a total mess." he said. We are headed for an extensive regulatory re-think."

- *"David Ruder, the former chairman of the Securities and Exchange Commission and now a professor emeritus at the Northwestern University School of Law, said he also thought that much stricter financial regulation was necessary, both in the United States and internationally. "The events, even as they're unfolding today, are revealing the need for much closer cooperation among financial regulators," he said."*
  "But, in a sign of the opposition that Democrats will face as they try to strengthen regulation, Mr. Ruder said that he did not think regulatory reform would be easy to implement, even in the financial sector. Even after receiving massive government aid this year, banks may fight stronger government oversight next year, he said."

  Source: The New York Times, 5th October 2008, by: Alex Berenson

"Keynesianism's Last Stand"

- *"The British Government and central bank have pledged a staggering $865 billion in total guarantees, consisting 30% of the country's GDP. Germany's total is $681 billion, approximately 20% of the nation's GDP"*

- *"Its high time for the international community to draw the right conclusions from all of this," Merkel said" We have already wasted a lot of time" resisting international changes"*

- *"What will the total bailout package be for Europe? Preliminary estimates put it at 2 trillion worth of Euros."*

- *"The chief economist of Morgan Stanley estimates that the US government's debt could be $2 trillion in fiscal 2009".*

- *"Beginning on Sunday, September 7, when Secretary of the Treasury Henry Paulson unilaterally nationalized Fannie Mac and Freddie Mac, thereby nationalizing America's mortgage market, until the weekend of October 11th, we have witnessed the reversal of the Reagan-Thatcher attempt to reverse the regulatory hand of central governments – rhetoric that was never matched by fiscal measures to back them up."*

- *"In justifying this immense transfer of taxpayer wealth to the commercial banks, politicians have promised a new era of regulation. They have all blamed American regulators for not regulating the securities market."*

- *"This transfers capital from the private sector to the public sector. It subsidises government bureaucracies at the expense of productivity. But it is a rational response to recession when the government offers guarantees against bankruptcy. The guarantees are a major source of asset allocation from the private sector to the public sector."*

- ***"BAD NEWS FROM THE IMF"***

  "The International Monetary Fund was created under the guidance of John Maynard Keynes at the 1944 Bretton Woods Conference in New Hampshire. There is no more Keynesian organization on earth.

Its 300 page report, World Economic Outlook (WEO): Financial Stress, Downturns and Recoveries (October 2008) is the most gloomy that I recall. It was accompanied by a 200 page document, Global Financial Security Report. Combined, they constitute 550 pages of bad news.

On all fronts, the authors of the World Economic Outlook report that the world economy is headed for a slump in 2009." The world economy is decelerating rapidly" it reports. Many advanced nations are moving into recession. The effects of the financial crisis have been limited so far. The tax rebate in the United States helped, and so have the relatively high profits of corporations. "But neither of these factors can be expected to last for very long" (p.xii).

The good news is that recovery will begin in late 2009, the report says. This assumes that U.S. housing will stabilise late in the year. It also assumes that the financial crisis will be solved (p.xii).

We now come to a passage that I did not expect to read in any IMF publication. The IMF guards its language, as most bureaucracies do. This is not guarded language.

> It is now all too clear that we are seeing the deepest shock to the global financial system since the Great Depression, at least for the United States. Are we then doomed to a slump in output as occurred in the 1930s? As Chapter 4 shows, the historical record is mixed. Periods of financial stress have not always been followed by recessions or even by economic slowdowns. However, the analysis also shows that when the financial stress does major damage to the banking system – as in the current episode – the likelihood increases of a severe and protracted downturn in activity (p.xiii)

Even more amazing is its assessment of fiscal policy: government spending and debt. How effective is fiscal policy? *"The findings are not very encouraging for proponents of fiscal activism…"* (p.xiii)

In the "Executive Summary", there is a section: *"Recovery Not Yet in Sight and Likely to Be Gradual When it Comes"*. It says that recovery will come in late 2009. It will be *"exceptionally gradual by most standards."* This forecast may be overly optimistic, the report admits.

> There are substantial downside risks to this baseline forecast. The principal risk revolves around two related financial concerns: that financial stress could remain very high and that credit constraints from deleveraging could be deeper and more protracted than envisaged in the baseline. In addition, the U.S. housing market deterioration could be deeper and more prolonged than forecast, while European housing markets could weaken more broadly (p.xvi).

The report says that public funds will be required to help the banks. *"The month is not yet half over"*.

- *"The policy-makers at the IMF admit that ever since August 2007, the world's banking system has been unravelling.*

  > *Most dramatically, intensifying solvency concerns have triggered a cascading series of bankruptcies, forced mergers, and public interventions in the United States and Western Europe, which has resulted in a drastic reshaping of the financial landscape (p.1)"*

- *"The annual joint meeting of the World Bank and the IMF was held on October 13…*

  In his speech to the assembled bureaucrats, IMF Chairman Dominique Strauss-Kahn waxed eloquent about the powers of governments and central banks to overcome depressions.

  – *We have tools to manage markets and economies now that we did not have then. We have the will to use them. I am confident that we can emerge from this crisis with our economies and our societies intact.*

  – *We must act quickly.*
    We must act comprehensively and imaginatively.
    We must act cooperatively.

  – *Second, national plans need to be comprehensive: they must contain guarantees to depositors and assurances to creditors that are sufficient to ensure that markets function; they must deal with distressed assets and provide liquidity; and most importantly they must include bank recapitalization. The Fund has been advocating this for several months. It seems that now we are all of the same opinion.*

  – *The crisis in financial markets is the result of three failures; a regulatory and supervisory failure in advanced economies; a failure in risk management in the private financial institutions; and a failure in market discipline mechanisms. Preventing a recurrence of these failures will require an international effort, because borders do not confine financial institutions or keep out financial turmoil."*

- **The Austrian Theory of the Business Cycle**

  - *"Ludwig von Mises in 1912 described what has happened around the world since 2000. Central banks inflate. This stimulates the economy. Then it slows the rate of inflation. This ends the boom in a wave of bankruptcies"*

  - *"Mises said that the key to understanding the business cycle is to understand what it does to the real economy, what the media refer to as Main Street. The boom lures entrepreneurs into investments that should not be made. Home construction has been the main one over the last half-decade. Then the contraction phase comes. The beneficiaries of the boom become the losers during the bust. I mean on Main Street, not Wall Street. The big banks are the winners in the boom, and in the bust they are bailed out. This is politics in action. Bankers have more clout than voters".*

  - *"The symbols of American financial capitalism have gone. Merrill Lynch, whose symbol is the bull, is gone. There are no more major investment banks. It took a bailout from Japan to save Morgan Stanley. Add to this demise of the number-four bank, Wachovia."*

  - *"The public's confidence is shaken. I think this will work its way upward to the investors in retirement funds; trickle-up scepticism. I think we have entered a new phase of stock market investing. People who once told themselves that they would buy more shares if the price ever fell are thinking, "If it ever goes back up, I will sell." This is a major shift in public perception. It makes major increases in share prices unlikely."*

- ***"CONCLUSION***

  If the weekend joint programme by European finance ministers and politicians does not reverse the recession, the financial system will be threatened again. The governments have given it their best shot, massively increasing their national debts. What will they do for an encore? How will the investing public be reassured if this plan fails to reverse the slide of the stock market as it discounts the accelerating recession?

  Keynesianism is getting another test. The world has returned to Keynesianism as its solution. The governments have bet the farm on this weekend move. If it fails to allay fear, as I expect it will, their next move will be more of the same, but with less effect. They have only two policies; more government debt and more fiat money".

Source: Gary North Archives, 15th October 2008
(The author of Mises on Money)

Keynes: Treatise on Money

"It has been usual to think of the accumulated wealth of the world as having been painfully built up out of that voluntary abstinence of individuals from the immediate enjoyment of consumption, which we call Thrift. But it should be obvious that mere abstinence is not enough by itself to build cities or drain fens.

... It is Enterprise which builds and improves the world's possessions... If Enterprise is afoot, wealth accumulates whatever may be happening to Thrift, and if Enterprise is asleep, wealth decays whatever Thrift may be doing"

Keynes: The General Theory of Employment, Interest and Money

"First, an economy in depression could stay there. There was nothing inherent in the economic mechanism to pull it out. One could have "equilibrium" with unemployment, even massive unemployment.

Second, prosperity depended on investment. If business spending for capital equipment fell, a spiral of contraction would begin. Only if business investment rose would a spiral of expansion follow.

And third, investment was an undependable drive wheel for the economy. Uncertainty, not assurance lay at the very core of capitalism. Through no fault of the businessman it was constantly threatened with satiety and satiety spelled economic decline".

Source: The Worldly Philosophers by Robert Heilbroner

Which Economic System do we want?

The choices which are available to Society

- **A 'Free for all' Market Economy –**

  - Global Markets are too big?

  - The Financial Services people have developed many new trading tools which 'nobody' really understands and can't properly regulate

  - Greed and short term approach encourage a boom or bust environment which destroys confidence and value

  - It is impossible to plan long term because everything is valued short term

  - Private pensions are invested in the Stock Exchange for long term growth but capital accumulation is destroyed by wild and fairly frequent short term fluctuations

- **A 'Free for all' Market Economy but with a great deal of 'red tape' and much additional State/International regulation –**

  - The current Market Economy already has in place a great deal of regulation – but this was not enough to avert or even reduce the impact of the current 'business cycle': which is very violent – and is not really a 'business cycle'. It is 'man made'

  - Imposing a great deal of regulation upon a 'Free For All' Market Economy is likely to kill the benefits provided by a successful Market Economy and is less likely to stop the abuse. Why? Because the current system of the Stock Exchange is by definition always open to 'abuse'

- **A Centralised Command Economy i.e. an economy where Government is in control of much of what is going on: will this include all the banking system?**

  - Past experience has demonstrated very clearly that a Centralised Command Economy (especially if operating within a global Market Economy) is a very inefficient way to manage the resources of a country

    : Governments are clearly unsuited to own active economic assets. The mere act of Government ownership changes the internal and external dynamics of the enterprise, e.g. its employees, its internal politics, its customer orientation, its profit motive, etc

  - Too much regulation and centralised control stifle initiative and is too cumbersome to operate effectively and productively

- The world cannot descend once again into an aggressive and protracted argument or debate about the respective benefits of Capitalism vis Socialism. It is clear that previous attempts to establish Socialist States have ended up in an oppressive killer dictatorship and in an inefficient economic environment. (All too often a centralized economy produces shared abject poverty for much of the population)

- It is clear that the Concept of letting the 'Market Decide' i.e. let millions of independent customers dictate what products and services they require (and want to pay for) is in principle a better approach than a centralised economy although clearly not a perfect one (as seen from the current financial and economic upheaval)

- It is clear that a Capitalistic system (Market Economy) has much to recommend it but it is also clear that ideas which seem to underpin **non-political socialism** or socialistic ideas could be very relevant

- What we need is probably more along the lines of Socialistic Capitalism (SOCAP) and not Capitalistic Socialism (CAPS)

- A good Capitalist believes in the saying that the "eradication of poverty is the dream of the socialist and the ambition of the capitalist"

• The Ten Pillars Economy –
A Ten Pillars Economy will be underpinned by the following main aspects:

- All the investments made by the Super Trusts will be made for the long term; mostly in unquoted companies

- The Super Trusts will never distribute dividends. All income will be reinvested. The Super Trusts will only pay out moneys once they start distributing pensions

- Each Super Trust will be owned directly by a very large number of individuals whose pension moneys are being invested by it. Every person who was born in the country (to parents who lived formally in the nation) would own a share of a Super Trust

- The Super Trusts will be responsible employers keen on creating and adding value to their businesses via their committed employees

- Over time the traditional Stock Exchange as we know it will disappear since the Super Trusts will have bought and taken private all the good companies. The Stock Exchange of the future is more likely to be the home of younger and more speculative companies

- Over time much of the Business Sector and economy in a Ten Pillars country will be owned by its army of Super Trusts

- A Ten Pillars Economy is much more likely to be stable with reduced business cycle intensity

- In fact, a Ten Pillars Economy is likely to bring about over time the creation or emergence of a new system of economics and politics which we could call Democratic Capitalism (see definition page 231)

Question: How would a Ten Pillars Economy deal with the angry comments made by the citizens about the current situation?

- Job Opportunity –

  A Ten Pillars Economy is expected to provide greater career and job opportunity via MAXILIFE and the combined work and impact of the Super Trusts:

  - Life Long Learning
  - Work Based Learning
  - Mentoring
  - Career and job planning
  - Steady growth of the economy
  - Reduced frequency of Business Cycles (with reduced volatility)
  - Well off pensioners will create new job opportunities

- What about my taxes?

  - Governments will need less tax income because of greater focus on areas where they can add value
  - Governments will receive a great deal of tax income (in the fullness of time) from the millions of well to do pensioners
  - The Business Sector (including the Super Trusts) will become more efficient and offer better value for money

- What about receiving excellent health services?

  - The Business Sector (including the Super Trusts) will work very closely with Government in order to greatly improve its value for money capabilities to make sure each citizen will be able to obtain a good level of health support
  - Well off pensioners will be able to buy (if they so choose) additional health pampering services

- Will the forces of the Market be able to work better within a Ten Pillars Economy?

  - The individual citizen should always be the one to decide how they choose to spend their own money. However, Society too will be able to help the individual to overcome some major problems such as pension savings – this will be done through the Compulsory Minimum Pension Contributions. The combination of the choices made by the individual with the long term choices made by the State in establishing the Ten Pillars Programme will serve the individual and community well fob the long term

- Are Banks likely to fail under a Ten Pillars Economy?

  - A Ten Pillarq Economy will be baced on much greater responsibility for own action i.e. both the Company and the individual will be held responsible and accountable for their actions

  - Once the Super Trusts will have acquired much of the ‘selectionU of larger companies the value destroying power of Stock Exchange fluctuations will have disappeared

  - Over time, the Banking Sector (which could very well also be owned by the Super Trusts) will concentrate ats activity on lending to the SME's and the individual. Euch of the speculative work of the Banking Sector in the years leading tg 2008 (especially buying and selling shares for their own account) will have disappeared

Democratic Capitalism

Democratic Capitalism is an economic approach whigh is based on the principle that each and every individual is entitled to expect to be respected. Democratic Capitalism, therefore, seeks to encourage each individual to fully participate in the practically unlimited economic opportunity which planned skills acquisition (through Life Long Learning), hard work, some risk taking and assuming responsibility for the potential of self are able to deliver; even in the competitive global economic environment which has evolved.

Democratic Capitalism materialises when the State, the Business Sector and the Not-For-Profit Sector work together effectively to create and maintain a dynamic, responsible and innovative market-economy environment where large numbers of skilled, ambitious and committed individuals can succeed in creating comfort even wealth for themselves, their families and their communities. Over time, much of the wealth created and accumulated by the entrepreneurs and enterprisers of the nation will be employed by them to acquire goods and services and thereby get diffused, shared and multiplied allowing almost everyone to enjoy a far better standard of living.

Asset and income discrepancy between citizens is not an evil in itself, especially where there are few poor. Asset and income differences are a fact of economic life. The critical aspect for the development of prosperous Democratic Capitalism is whether all those individuals who are ready to assume responsibility for self and willing to make on-going investments in themselves i.e. throughout their life journey, as well as, participate in the work ethos, are able to harvest the fruits of their labour to achieve a good absolute level of living standard for themselves, their families and their local community.

Democratic Capitalism at its core is very much about responsibility; defining, sharing and implementing responsibility. The State, the Business Sector, the Not-For-Profit Organisations, but above all the individual, all have defined areas of responsibility which each is expected to discharge with honesty, dedication and energy.

A difficulty arises when the State and/or a significant proportion of the Not-For-Profit Organisations choose to navigate a route/policy delineated according to preconceived political, economic, social and self-interest dogma rather than urgently address the challenging realities of the 21st century with responsibility and transparency. Nevertheless, the single most decisive player on the national stage is always the individual himself/herself. For Democratic Capitalism to truly flourish every citizen needs to believe that s/he has the structural support of the state and the community when assuming responsibility for the potential of self. Only the combined ongoing activity and economic energy of the entire population can ensure lasting prosperity for the individual and the nation.

‘Qumulism’

A New Economic System

The expression ‘Qumulism’ is made up from two words; ‘Community’ and ‘Accumulation’.

The ‘Qumulistic’ economic system was designed to benefit fully from the undoubted economic growth and prosperity generating powers of ‘Market Forces’ as harnessed by an entrepreneurial Capitalistic economic system, as well as, to channel and ‘temper’ these market forces in a structured fashion in order to achieve a far more stable prosperity and more sustainable distribution of the vast wealth created and accumulated by the nation.

Experience gained over the last 100 years clearly demonstrates that an economic system which is structured around the employment of Market Forces for the allocation of national resources is vastly superior to the alternatives; although it is itself subject to fairly frequent and extremely damaging economic cycles. Nevertheless, any economic system where the allocation of resources is not made via the ‘market’ is much more likely to develop an operating environment destined to favour those in charge of the enforcement of the concept to the exclusion of the majority of the population – whom in theory it is meant to serve.

‘Tempered Market Forces’ have the potential to produce sustainable economic growth and stable prosperity while simultaneously re-engineer the well being of the average citizen and society at large – always in line with the generalised ethical and political guidelines which have been adopted by each respective community.

Each society that chooses to respect the life potential, as well as, the needs and desires of the individual within a democratic political system will quickly discover that the creative and entrepreneurial employment of the forces of the ‘market’ is the only economic approach which can deliver the goods. Simultaneously, it must be recognized that if a democratic society wishes to continue to protect the ‘needs’ of the individual and see those as its ‘supreme vision’ it will also be obliged to find a way to ensure that the economic success facilitated by the Market is well distributed throughout the population; otherwise – those citizens who find themselves excluded from the new prosperity, will no longer agree to vote for a political or economic system which fails to provide them too with their own basic needs and desires.

Capitalism, despite its proven overall relative success, has been ravaged by the serious loss of value experienced through fairly frequent and violent economic cycles (including stock exchange and banking collapses). Therefore, it is being proposed that we need to find a new way to preserve the Market Forces Economic Model and that society must evolve once more and identify a solution appropriate to our time. It is further being proposed that ‘Qumulism’ and the ‘Qumulistic’ economic model could provide the answers we require/seek.

As stated earlier the expression ‘Qumulism’ is composed from the merging of the words ‘Community’ and ‘Accumulation’. In fact, ‘Qumulism’ as a working economic model is itself to be achieved from the merging of the vast wealth creating potential of an ambitious community working together to employ the power of the forces of the market under the guidance of the proposed Ten Pillars Programme.

The Ten Pillars Programme itself is a very detailed holistic and inclusive national economic programme which harnesses the best of the wealth creating potential of the market economy over the very long term to the benefit of the nation but also to the benefit of **each one** of its citizens. The Ten Pillars Programme believes it has the power and the wherewithal to bring about the emergence of a very successful 'Qumulistic' economic system over the long term.

The defining features of 'Qumulism'

A 'Qumulistic' society will be defined by the vast and productive investment holdings accumulating under the responsibility of a large number (30-50) dedicated national investment management organisations called Super Trusts – each of whom will be managing tens or even hundreds of billions of Dollars/Pounds/Euros **on behalf of each one of the individuals** born within the borders of the nation (to parents living at the time of birth formally within the territory). Actually, each of these Super Trusts will be wholly and directly owned by the people for whom the funds were being managed. The Super Trusts between them will own outright many, if not most, of the large economic organisations in the country (and many abroad) and work hard and creatively to help their respective management to build compounding real value for the long term. The Super Trusts will not be paying dividend nor allow their 'owners' to cash (nor mortgage) any of their growing value until they reach retirement age. This means the Super Trusts will become a vast repository of accumulating 'tangible' pension assets. Each Super Trust will start 'unwinding' itself only once its millions of 'shareholders' will have qualified for retirement. Each Super Trust will be able to fund generous retirement benefits for each individual until the death of the individual – irrespective of the number of actual retirement years.

Another defining feature of the 'Qumulistic' economic system is the source of funding for much of the projected vast wealth accumulation by the Super Trusts. The nation i.e. the Community, will have made at birth a cash grant to the benefit of each child. Additional cash grants would be made by the Community to support low earners when the individual starts his/her working life should the total Compulsory Minimum Pension Contributions made by the individual and employer fall below a certain minimum level. It is these two interlinked aspects i.e. the cash grants provided by the 'Community' and the long term 'Accumulation' of vast wealth within the confines of the Super Trusts which define 'Qumulism' and therefore the new type of thriving and stable Market Economy which it will be able to sustain for the foreseeable future.

TIMESONLINE

From The Times – January 22, 2009

Task No 1 for Barack Obama: reinvent capitalism

Lessons have been learnt. Obamanomics will not try to rebuild America on the principle that markets are always right

Anatole Kaletsky

The words "Remaking America" were splashed yesterday across the front pages of The New York Times, The Washington Post, USA Today, Los Angeles Times and almost every other paper in the US. This kind of unanimity in the press corps is not coincidental – "Remaking America" was the phrase the President's media machine wanted to emphasise. Why?

"Remaking America" is President Obama's riposte to the slogan of populist conservatism through the ages: "If it ain't broke, don't fix it." This do-nothing mentality was taken to its logical extreme by George W. Bush and his doltish Administration, whose epitaph should be the P.J.O'Rourke quip: "The Republicans are a party who believe that government doesn't work and get themselves elected to prove it."

To have any hope of repairing the ruin left behind by the Bush Administration, President Obama must first convince the 45 per cent of the population who voted against him that America really is broke. Not only is the US trapped, as Mr Obama noted, in a geopolitical quagmire and the worst recession in living memory. But behind both of these dreadful things lurks a horror even more existentially shocking: the entire politico-economic model of free enterprise, rugged individualism and small government on which America built its global hegemony seems to have broken down. How else can one describe a situation in which all of the country's main financial institutions and many of its biggest industrial companies are effectively bankrupt and on government life-support?

The crisis triggered by September's bankruptcy of Lehman Brothers appears to have discredited many of the assumptions on which American prosperity and democracy was founded. In this sense, it really is possible to compare the credit crunch, as Ed Miliband did last weekend, to the fall of the Berlin Wall. In 1989 the world, from China and Russia to South Africa, India and Brazil, concluded that there was no serious alternative to market forces as a means of organising productive activity. In 2009 the whole world seems to have reached the opposite conclusion – that free markets and financial incentives lead even the richest and most sophisticated societies to disaster.

There is, however, a crucial difference between these two pivotal years and this brings us to the positive side of President Obama's message. Communism was a monolithic and inflexible system that worked against the grain of human nature and had to be brutally imposed. Capitalism, by contrast, is a constantly evolving and organic set of human relationships. It advances by trial and error and takes a myriad different forms. Thus the demise of the post-1989 fundamentalist faith in market forces as the solution to all social problems now offers Mr Obama the chance to preside over a new evolution of American capitalism into a more stable and ultimately more successful form. Creating this new kind of capitalism will be the most important challenge of the Obama presidency and beyond.

But two features of this evolutionary process can already be suggested. First, it is clear that America will continue to lead the world, not only as a military power and technological innovator but also as a model of economic management. The idea that Anglo-American capitalism will give way to a European or Asian model is already crumbling, as Germany, Japan and China discover that their economies are even more dependent on American (and British) consumers, mortgage markets and financial institutions than the Americans themselves. With the US likely to start recovering this year, while Europe and Japan remain mired in recession, American economic management will again be seen as a model around the world, instead of a cautionary tale.

Second, America's new leadership will encourage much more pragmatic thinking around the world about when market mechanisms are useful and when they are useless, about the right balance between the profit motive and social objectives, and about the relative efficiency of private and public enterprises.

This may sound abstract, but such a shift in US ideology will have profound practical effects. Once it is understood, for example, that financial markets often send perverse signals about values, whether of houses, mortgages or barrels of oil, new solutions to the credit crisis will become possible. In America many homeowners will have their mortgages reduced and guaranteed by government. Such mortgage writedowns have been stridently opposed by bank lobbyists and Republicans for ideological reasons, yet they are likely to save many banks from going bust. More generally, there is likely to be recognition that many problems demand non-market solutions and that financial incentives are neither necessary nor sufficient to achieve social ends.

This doesn't mean, however, that the State will necessarily grow. As President Obama said on Tuesday: "The question we ask today is not whether our government is too big or too small, but whether it works."

This injunction brought to mind Philanthrocapitalism, a fascinating book by Matthew Bishop and Michael Green. It describes the varying approaches of billionaires who spend extraordinary sums of their own money to achieve social ends, such as Bill Gates's campaign against malaria or George Soros's promotion of "open societies" in former communist dictatorships. The book's main conclusion is that these efforts could serve as models for broader collaboration between government and private enterprise, whether charitable or not.

As the book notes, the most important asset that these hands-on philanthrocapitalists bring to their foundations is not just money but a way of thinking, specifically that "society's biggest problems have to be addressed in a businesslike way in the sense of a serious focus on results; understanding where scarce resources have the most impact; a determination quickly to scale up solutions that work and a toughness in shutting down those that do not".

Given that many of the people now joining the Obama Administration, including the President, have spent large parts of their careers in the non-profit sectors, philanthrocapitalism may well be an idea whose time has come for the new model of US capitalism that the President must now invent.

More generally, financial regulation and macroeconomic management will surely now recognise that naive theories about “efficient” financial markets and the statistical models they spawned were a major cause of the entire financial disaster. It will still be capitalism, but Obamanomics will not try to rebuild America on the principle that “markets are always right”.

APPENDIX VIII

THE BANKING SYSTEM WE COULD EXPECT TO HAVE IN A TEN PILLARS ECONOMY

The Banking System

In A Ten Pillars Economy

1. Long Term Investment Activity –

- The Super Trusts investing long term for pension build up –

    - Owning the real economy: Manufacturing
    - Owning Property for rental: office and private
    - Owning infrastructure: roads, electricity generating, schools
    - Owning the health system: Hospitals
    - Providing investment flow without undue concern to short term 'market' fluctuations

2. Retail Banking – (some banks could be owned by the Super Trusts)

- Lending to Business
- Lending to Small Business
- Lending to individuals (credit card debt – responsible lending)
- Lending to individuals to buy own home (responsible lending)
- Lending to individuals to make investments (encouraging enterprise)

What Activity will not take place

- Speculation on behalf of the Banks' own shareholders and employees (speculation with the Banks' own capital)

    - Stock Market
    - Commodities
    - Derivatives
    - Etc

Explanation

- The Super Trusts will have – eventually – so much cash that they will be competing for the acquisition of every good quality, profitable, cash generating asset

- Eventually the Stock Market as we know it today will have disappeared. This means that the Super Trusts will have taken private all the better companies. (The Super Trusts will own and operate these companies for the very long term)

- The Stock Market of the future will be composed of younger mostly technology or service companies which are either too young, too speculative or too small for any of the Super Trusts to be interested in them at the specific point in time under review (any of these companies could become an acquisition target at a later date)

- The Stock Market of the future will be far less important in its composition of assets, value and economic contribution than that of the Stock Market at present; this means that it is unlikely that the Stock Market of the future would be able at any time to cause the kind of 'economic disruption' experienced at present

  : It should also be remembered that almost all pension assets would be owned outright by the Super Trusts and therefore the pensions of the citizenship would not be at risk due to short term financial market fluctuations

Appendix IX

"Good Capitalism, Bad Capitalism And The Economics Of Growth And Prosperity"

By William J. Baulol, Robert E. Litan, Carl J. Schramm, Yale University Press, 2007

Relevant Quotes

Appendix IX

"Good Capitalism, Bad Capitalism And The Economics Of Growth And Prosperity",

William J. Baulol, Robert E. Litan, Carl J. Schramm, Yale University Press, 2007

Quotes

1. About Democracy

"... there is compelling evidence that as economies grow richer, their propensity to embrace democratic values and institutions is greater. In turn, as societies embrace democracy while also becoming wealthier, they have in the past been less likely to turn to military action to advance their interests. If true, then entrepreneurial capitalism, by advancing growth, may help to diffuse tendencies toward armed conflict in different parts of the world."

2. About Pensions

"... the United States and other rich economies will experience a wave of retiring baby boomers over the next several decades. Those retirees who have been lucky or fortunate enough to have saved for their retirement certainly are counting on the value of their financial assets (as well as their residences and other real estate) not to fall and ideally to continue rising at a rate faster than the growth of their economies. This is unlikely to occur, however, unless investors from emerging markets have the wherewithal to buy the securities that the retirees certainly will be selling, since it is unlikely that the younger generations within the richer countries will have the incomes, and thus savings, to purchase these assets. But investors from abroad will not have the resources themselves unless their economies continue growing. For this reason, investors in all rich but aging economies have a strong economic interest in the continued growth of economies in the rest of the world."

"... There is an old saying that there are only two certain things in life: death and taxes. But one of these certainties – death – is getting pushed back, with advances in medical science and nutrition, both made possible by economic growth. As economies grow richer, however, other demographic trends are set in motion. Families have fewer children because they have less need for them as breadwinners. Fewer children and longer life spans mean only one thing: over time, the average age of individuals in society increases. The aging of populations in advanced countries, some with fertility rates below replacement rates, has been known for some time. But what many people may not realize is that the average age in developing countries is rising as well. Indeed, as both the International Monetary Fund and the United Nations have reported, the entire world is aging, and the effects will be even more noticeable in the developing world than in countries that are already rich. Whereas nearly 60 percent of the world's elderly (those over sixty-five) live in developing countries today, that share is projected to increase to 80 percent by 2050 (IMF, 2004; United Nations, 2004). So what does economic growth have to do with all this, other than helping to make it possible? The short answer is that while growth certainly helped contribute to the aging of the world, it is going to be **desperately needed** to help pay for the medical care and income support promised to the elderly. To be sure, this is a problem now confined primarily to rich countries, whose governments already have made these promises and have acted on them to a degree.

But many developing countries have established similar, though less generous, systems of their own and, indeed, are being encouraged to do so by the World Bank. **The financing problem just for richer countries is enormous.** Consider the United States, where the challenge is the least acute among developed economies. ...in 2004, benefit payments under the United States Social Security and Medicare programs totaled roughly 5 percent of GDP, accounting for about a quarter of all federal spending (which, in turn, is about 20 percent of GDP) and roughly 30 percent of federal tax revenue. In 2010, the earliest baby boomers will begin retiring, a trend that will pick up speed as the years pass. As it does, the promised income and medical benefits will soar. Thus, the Congressional Budget Office (CBO), the United States government's neutral and official government scorekeeper, has projected spending on these two programs, together with Medicaid (another entitlement program that supports health care for low-income individuals and families) to rise to 13 percent of GDP by 2025 and to 19 percent of GDP by 2050 (CBO, 2003). Compare these figures to the roughly 17 percent of GDP the federal government collected in taxes in 2004 – the lowest share since 1960 – or even the roughly 20 percent of GDP tax share that has prevailed in the United States for the past quarter century, and without major policy reforms, **a fiscal disaster seems inevitable.** In our view, therefore, some combination of tax increases and budget cuts (especially in entitlements programs) eventually will be required to address this problem. **However politically painful these steps may be, they pale in comparison to the economic pain that the country would suffer** if, at some point, investors fear they will not be taken and then refuse to buy the mounting federal debt required to finance our government except at much high interest rates, which could throw the U.S. economy (and other economies) into deep recession. In any event, the magnitude of the required fiscal correction, and thus the political pain that decision makers must be prepared to absorb, will depend to a significant degree on how fast the economy grows."

... "In short, **growth matters to aging societies** because it makes it easier to afford government promises of support made to the elderly, among others. Aging, in turn, has two very different effects on the growth process. On the positive side, aging labor forces – up to a point – mean that the typical worker has more experience. More experienced workers, in turn, are more productive, so that as societies age, they should display faster productivity growth, other things being held constant. But in aging societies, not everything can be held constant. As societies grow older, they are likely to have a lower proportion of young adults without families or children to support, and thus the cohort of individuals that are more likely to take the risks that lead to the formation and growth of high-impact enterprises will be smaller. After some point, **aging societies are likely to be less entrepreneurial**, in the sense of the term that we are using it in this book: developing and growing enterprises that have high-growth potential. True, many senior citizens or near retirees in the United States are jumping off the corporate ladder to start their own consulting operations or specialty stores, the traditional retirement pursuit of the elderly in Japanese societies. But, other things being equal, it is difficult for older individuals to have acquired the knowledge needed to come up with and commercialize the kinds of breakthrough technologies and services that drive economic growth. That is one of the reasons why, we will argue in chapter 7, countries like Japan and those in Western Europe face an even steeper uphill economic climb than the United States in financing the income and medical needs of their retiring populations in the future."

3. Social and Intergenerational Conflicts

"Economic Growth and Domestic Civility
... economic growth is like a social lubricant that eases tensions while giving hope to populations. Societies with stagnant or, even worse, declining per capita incomes by

definition cannot convince younger people that their economic fortunes will improve as they grow older. And without hope there is little or no entrepreneurial spirit to strive to change the existing order or to improve one's own standard of living, let alone the living standards of neighborhoods, cities, or entire countries. In short, the lack of growth itself can become an obstacle, holding back economic progress, or even worse. As Harvard University economist Ben Friedman has persuasively argued, slow growth, especially when coupled with widening inequality, can provide the environment that breeds distrust and often hate."

... "The reverse is much more likely to be true for economies that are growing. These have the good fortune to take advantage of a virtuous cycle, since the young can count on a better life, assuming they work hard to achieve it. Visitors to India or China or Ireland or Israel, for example, report a vibrancy and sense of excitement that one doesn't hear about in Western Europe, at the rich end, or much of Latin America or Africa, at the lower end of the world income distribution. Growth opens up opportunities, which in turn unleash not only hope but also the work ethic that helps turn opportunities into reality. Much of this same energy and optimism can be found in pockets of the United States – in high-technology clusters and in parts of some American cities. **The challenge will be to maintain this combination of energy and hope in coming decades**, when the United States also begins to deal with the many challenges of its retiring babyboom generation."

4. Economic Growth

"... it takes a mix of innovative firms and established larger enterprises to make an economy really tick. A small set of entrepreneurs may come up with the "next big things," but few if any of them would be brought to market unless the new products, services, or methods of production were refined to the point where they could be sold in the marketplace at prices such that large numbers of people or firms could buy them. It is that key insight that led us to the conclusion that the best form of "good capitalism" is a blend of "entrepreneurial" and "big-firm" capitalism, although the precise mix will vary from country to country, depending on a combination of cultural and historical characteristics that we hope others will help clarify in the years ahead."

... "The criticisms of growth have some validity but are fundamentally misplaced. Economic growth is and continues to be important, indeed, **morally necessary** if individuals and society care about improving the living standards of peoples around the world. Michael Mandel, the chief economist for Business Week, has written about technology-driven growth in particular in a way that summarizes much of what we have tried to convey in this chapter:

> 'Such technology-driven growth is essential, I believe, if we are not to drown in our own problems... Without breakthroughs in medical science, it won't be possible to supply the health care to a generation of aging Americans **without bankrupting the young.** Without breakthroughs in energy production and distribution, it won't be possible to bring Third World economies up to industrialized living standards without badly damaging the environment and stripping the world of natural resources. Without rapid economic growth powered by new technologies, **it won't be possible to reduce poverty** or ensure the next generation a better life than we have. (Mandel, 2004, xi–xii)'

Just citing the hope for improvements in future technology begs the question: who comes up with it and, just as important, how does it get introduced into economies? As for the first question, economists generally agree that technological development is at least loosely tied to investment in the process of discovering new technologies, or research and development (R&D). But the more interesting question that so far has not been well studied, in our view, relates to the conditions under which new technology is introduced and used in economies. **The answer to this puzzle turns very much on how an economic system is organized**."

5. A New Economic Paradigm?

... "But it doesn't have to be that way. **What if the economy changes in some fundamental way** so that past history is not a good guide to the future? For example, productivity advanced at 2.5 percent annually from the end of World War II until 1973, when the first "oil shock" occurred. There followed the dismal 1.5 percent growth rate experience for the subsequent two decades before something kicked in, sending U.S. productivity growth soaring beyond even the fast pace of the first quarter-century after the war. The point of this brief recitation of productivity facts is that economies are not stagnant. Things change, and when they do, history may well not be a guide to the future. Here is where growth comes in. What if the United States were to find a way to continue or even exceed the remarkable post-1993 productivity growth rate of 3 percent rather than settle down to the 2.1 percent projected by CBO? **Over the next forty-five years**, that nearly one-percentage-point annual difference would mean that by 2050 per capita output would be roughly 60 percent higher than the CBO has projected. With the GDP denominator that much larger, the ratio of Social Security and Medicare spending to GDP would be substantially lower."

WE ALL ARE A PRODUCT OF THE CHOICES WE MAKE"

Albert Camus

A Simple Choice!

In Autumn 2008 the U.S Government and most large European Governments felt obliged to start pumping hundreds of billions of Dollars/Pounds/Euros (in total trillions) into our collapsing global banking system. This was done in order to try to bring some calm to panicking financial markets and to stabilise wildly fluctuating Stock Exchanges. These vast capital investments were made without any certainty of a positive outcome and without a hope that such 'meltdowns' could not happen again and again in the near future.

The Ten Pillars Programme requires relatively modest annual investments in comparison to the trillions injected hastily into the financial markets in 2008. (In the UK the Ten Pillars annual cost is estimated at under £6 billion). Yet, it is expected that the Ten Pillars Programme would in fact set in motion an in-depth economic and social transformation which over time will bring about both the eradication of pensioner poverty and the emergence of a stable and prosperous Ten Pillars Economy. It is a very simple choice. It should be an easy choice to make.

The alternative

"… it is pointless to bemoan the periodic crisis that are part of market capitalism as it is to bewail wet weather on an English summer bank holiday … The lesson of the current economic difficulties is that sporadic collapses of confidence are natural and inevitable … …there will be another market meltdown in a decade or so. Pencil it into your calendar, if you plan that far ahead …"

Source: Jonathan Guthrie, Financial Times Enterprise Editor, writing in the RSA Journal, Autumn 2008

The Moral of the Story: ‘A Catch 22 Trap’

Comrade Mikhail Gorbatchev (the last president of now defunct Soviet Union) is said to have observed wryly that what with the massive public bailouts of banks, insurance companies, car manufacturers, mortgage lenders and more, we now seem to have invented “capitalism for the poor and communism for the rich”.

In fact, the dramatic falls in stock exchange and bond values and the zero interest income available presently for cash savings are penalising the prudent citizen. The individual who has made difficult choices and opted to postpone immediate consumption gratification for the benefit of long term personal financial security is left holding an ‘empty’ bucket.

On the whole, the current crisis is likely to strengthen the hand of those in society who prefer to ‘enjoy the day’ and expect their government to bail them out in times of need including during the long retirement years. This ‘dis-incentive to save message’ is definitely a negative development as far as the financial health of the individual and the nation are concerned.

To add ‘insult to injury’ the bill for the trillions which governments and central banks have been ‘dishing out’ in their effort to stop the collapse of the global economy will have to be met by the tax payer before long. This means national tax rates are very likely to go up and everyone will have less disposable income – especially the funds needed for those long term pension savings plans. A veritable ‘catch 22’.

Apathy Equals Failure

They say that the 'courageous dies once only whereas the coward suffers the fear and agony of death a thousand times'. Possibly, we could equate the saying about the pain of cowardice to the dire state of the current pension regime.

The pension system employed at present by most of the democratic nations of the world requires the individual, the business sector and the State to make substantial financial commitments and sacrifices over the very long term. Nevertheless, it is a sad fact that most citizens do not enjoy a good standard of living during their extended retirement years.

Conversely, the Ten Pillars Programme by taking full advantage of the tremendous compounding power of very long term tangible investments has the ability to achieve not only a good pension income for the individual but also to create a new, more benevolent, more successful and far more stable economic model.

We believe that it will pay nations to be courageous i.e. for the State to embrace the Ten Pillars Programme and thereby over time be able to deliver much more value and greater prosperity to its citizenship.

Confucius said

> *Saving a person from poverty is like saving a person from drowning or from fire – we must not hesitate."*

Coming Soon

BOOK TWO
Fighting Tigers

and

BOOK THREE
Fat Tigers

to follow

"In this remarkable book we see a comprehensive battle plan. A ten step program that begins to address and resolve the network of interlinked challenges that society needs to confront... In fact, this kind of symbiotic networking system could profoundly change society."

Ronald R. Coifman, Philips Professor of Mathematics, Yale University

(Recipient of the US Congressional Medal of Science)

"This is not another book written on this vital topic. It is a unique proposal that could change the world... if adopted, it can and will eradicate pensioner poverty."

Professor Sam Saguy, Hebrew University of Jerusalem

"In my opinion this is highly original work which provides a clear and well organised way forward which is of potential national importance. The solution which you suggest is truly breathtaking in its scale, scope and potential beneficial impact."

Professor Jonathan Garnett, Director, Institute for Work Based Learning, Middlesex University, London

ISBN 978-2-8399-0506-0

9 782839 905060

Price £18/$25/€20/CHF 30